Calendar No. 49

101st Congress *1st Session*	SENATE	Report 101-20

FY
CONCURRENT RESOLUTION ON THE BUDGET
1990

REPORT

OF THE

COMMITTEE ON THE BUDGET UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 30

together with

ADDITIONAL AND MINORITY VIEWS

Establishing the congressional budget for the U.S. Government for the fiscal year 1990 and setting forth the appropriate budgetary levels for the fiscal years 1991, and 1992

April 27, 1989.—Ordered to be printed

Filed under authority of the order of the Senate of April 19 (legislative day, January 3), 1989

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GENERAL NOTES

Fiscal Years—All years are fiscal years unless otherwise indicated.

Rounding—In the case of all tables, details may not add to totals due to rounding.

(*)—An asterisk indicates an amount less than $50 million in dollar amounts and less than one-half percent in the case of percentages.

BA—Budget Authority.

O—Outlays.

DL—Direct Loan.

LG—Primary Loan Guarantee.

SLG—Secondary Loan Guarantee.

NA—Not Available.

Calendar No. 49

101st CONGRESS
1st Session

S. CON. RES. 30

[Report No. 101–20]

Setting forth the congressional budget for the United States Government for the fiscal years 1990, 1991, and 1992.

IN THE SENATE OF THE UNITED STATES

April 27, 1989

Mr. Sasser, from the Committee on the Budget, reported, under authority of the order of the Senate of April 19 (legislative day, January 3), 1989, the following concurrent resolution; which was placed on the calendar

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CONCURRENT RESOLUTION

Setting forth the congressional budget for the United States Government for the fiscal years 1990, 1991, and 1992.

Resolved by the Senate (the House of Representatives concurring), That the Congress determines and declares that the concurrent resolution on the budget for fiscal year 1990 is established and the appropriate budgetary levels for fiscal years 1991 and 1992 are set forth.

MAXIMUM DEFICIT AMOUNTS

Sec. 2. The following levels and amounts in this section are set forth for purposes of determining, in accordance with section 301(i) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985 and the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, whether the maximum deficit amount for a fiscal year has been exceeded, and as set forth in this concurrent resolution, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1990: $1,065,500,000,000.
Fiscal year 1991: $1,144,300,000,000.
Fiscal year 1992: $1,216,000,000,000.

(2) The appropriate levels of total budget authority are as follows:

Fiscal year 1990: $1,327,400,000,000.
Fiscal year 1991: $1,423,500,000,000.
Fiscal year 1992: $1,476,400,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1990: $1,164,900,000,000.
Fiscal year 1991: $1,234,300,000,000.
Fiscal year 1992: $1,281,700,000,000.

(4) The amounts of the deficits are as follows:

Fiscal year 1990: $99,400,000,000.

Fiscal year 1991: $90,000,000,000.

Fiscal year 1992: $65,700,000,000.

DEBT INCREASE AS ONE MEASURE OF DEFICIT

SEC. 3. The amounts of the increase in the public debt subject to limitation are as follows:

Fiscal year 1990: $264,400,000,000.

Fiscal year 1991: $253,900,000,000.

Fiscal year 1992: $227,600,000,000.

DEFICIT LEVELS EXCLUDING TRUST FUND SURPLUSES

SEC. 4. (a)(1) The amounts of the surpluses of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are as follows:

Fiscal year 1990: $67,800,000,000.

Fiscal year 1991: $78,800,000,000.

Fiscal year 1992: $90,400,000,000.

(2) The amounts of the deficits excluding the receipts and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are as follows:

Fiscal year 1990: $167,200,000,000.

Fiscal year 1991: $168,800,000,000.

Fiscal year 1992: $156,100,000,000.

(b) The amounts of the deficits excluding the receipts and disbursements of all Federal trust funds are as follows:

Fiscal year 1990: $239,700,000,000.

Fiscal year 1991: $240,400,000,000.

Fiscal year 1992: $226,100,000,000.

RECOMMENDED LEVELS AND AMOUNTS

SEC. 5. (a) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1989, October 1, 1990, and October 1, 1991:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1990: $775,800,000,000.

Fiscal year 1991: $832,000,000,000.

Fiscal year 1992: $833,000,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1990: $5,800,000,000.

Fiscal year 1991: $5,800,000,000.

Fiscal year 1992: $5,800,000,000.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:

Fiscal year 1990: $70,100,000,000.

Fiscal year 1991: $75,100,000,000.

Fiscal year 1992: $80,200,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1990: $1,037,600,000,000.

Fiscal year 1991: $1,111,200,000,000.

Fiscal year 1992: $1,143,400,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1990: $943,000,000,000.

Fiscal year 1991: $1,000,800,000,000.

Fiscal year 1992: $1,039,100,000,000.

(4) The amounts of the deficits are as follows:

Fiscal year 1990: $167,200,000,000.

Fiscal year 1991: $168,800,000,000.

Fiscal year 1992: $156,100,000,000.

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1990: $3,122,800,000,000.

Fiscal year 1991: $3,376,700,000,000.

Fiscal year 1992: $3,604,300,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1989, October 1, 1990, and October 1, 1991, are as follows:

Fiscal year 1990:

(A) New direct loan obligations, $19,300,000,000.

(B) New primary loan guarantee commitments, $106,600,000,000.

(C) New secondary loan guarantee commitments, $93,200,000,000.

Fiscal year 1991:

(A) New direct loan obligations, $19,700,000,000.

(B) New primary loan guarantee commitments, $114,200,000,000.

(C) New secondary loan guarantee commitments, $97,100,000,000.

Fiscal year 1992:

(A) New direct loan obligations, $19,700,000,000.

(B) New primary loan guarantee commitments, $119,000,000,000.

(C) New secondary loan guarantee commitments, $100,900,000,000.

(b) The Congress hereby determines and declares that the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments for fiscal years 1990 through 1992 for each major functional category are:

(1) National Defense (050):

Fiscal year 1990:

(A) New budget authority, $305,500,000,000.

(B) Outlays, $299,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $317,800,000,000.

(B) Outlays, $311,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $330,500,000,000.

(B) Outlays, $322,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1990:

(A) New budget authority, $18,300,000,000.

(B) Outlays, $16,700,000,000.

(C) New direct loan obligations, $2,000,000,000.

(D) New primary loan guarantee commitments, $6,400,000,000.

(E) New secondary loan guarantee commitments, $200,000,000.

Fiscal year 1991:

(A) New budget authority, $18,600,000,000.

(B) Outlays, $16,700,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $6,700,000,000.

(E) New secondary loan guarantee commitments, $200,000,000.

Fiscal year 1992:

(A) New budget authority, $19,700,000,000.

(B) Outlays, $17,100,000,000.

(C) New direct loan obligations, $2,200,000,000.

(D) New primary loan guarantee commitments, $6,900,000,000.

(E) New secondary loan guarantee commitments, $200,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 1990:

(A) New budget authority, $14,200,000,000.

(B) Outlays, $14,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $14,800,000,000.

(B) Outlays, $14,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $15,500,000,000.

(B) Outlays, $15,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(4) Energy (270):

Fiscal year 1990:

(A) New budget authority, $6,100,000,000.

(B) Outlays, $4,200,000,000.

(C) New direct loan obligations, $2,000,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $6,400,000,000.

(B) Outlays, $4,200,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $7,000,000,000.

(B) Outlays, $4,600,000,000.

(C) New direct loan obligations, $2,300,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(5) Natural Resources and Environment (300):

Fiscal year 1990:

(A) New budget authority, $17,500,000,000.

(B) Outlays, $17,400,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $18,300,000,000.

(B) Outlays, $18,500,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $19,100,000,000.

(B) Outlays, $19,000,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(6) Agriculture (350):

Fiscal year 1990:

(A) New budget authority, $18,300,000,000.

(B) Outlays, $15,000,000,000.

(C) New direct loan obligations, $10,000,000,000.

(D) New primary loan guarantee commitments, $4,900,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget · authority, $20,600,000,000.

(B) Outlays, $16,500,000,000.

(C) New direct loan obligations, $10,200,000,000.

(D) New primary loan guarantee commitments, $4,900,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $21,300,000,000.

(B) Outlays, $15,900,000,000.

(C) New direct loan obligations, $9,700,000,000.

(D) New primary loan guarantee commitments, $5,000,000,000.

(E) New secondary loan guarantee commitments, $0.

(7) Commerce and Housing Credit (370):

Fiscal year 1990:

(A) New budget authority, $21,000,000,000.

(B) Outlays, $18,100,000,000.

(C) New direct loan obligations, $3,300,000,000.

(D) New primary loan guarantee commitments, $60,500,000,000.

(E) New secondary loan guarantee commitments, $93,000,000,000.

Fiscal year 1991:

(A) New budget authority, $26,400,000,000.

(B) Outlays, $17,900,000,000.

(C) New direct loan obligations, $3,300,000,000.

(D) New primary loan guarantee commitments, $66,400,000,000.

(E) New secondary loan guarantee commitments, $96,900,000,000.

Fiscal year 1992:

(A) New budget authority, $16,900,000,000.

(B) Outlays, $12,400,000,000.

(C) New direct loan obligations, $3,400,000,000.

(D) New primary loan guarantee commitments, $69,600,000,000.

(E) New secondary loan guarantee commitments, $100,700,000,000.

(8) Transportation (400):

Fiscal year 1990:

(A) New budget authority, $30,400,000,000.

(B) Outlays, $29,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $31,000,000,000.

(B) Outlays, $30,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $32,100,000,000.

(B) Outlays, $31,200,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(9) Community and Regional Development (450):

Fiscal year 1990:

(A) New budget authority, $7,300,000,000.

(B) Outlays, $6,600,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $500,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $7,200,000,000.

(B) Outlays, $6,900,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $500,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $7,300,000,000.

(B) Outlays, $6,900,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $500,000,000.

(E) New secondary loan guarantee commitments, $0.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1990:

(A) New budget authority, $40,700,000,000.

(B) Outlays, $38,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $12,900,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $42,000,000,000.

(B) Outlays, $41,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $13,400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $42,900,000,000.

(B) Outlays, $42,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $13,700,000,000.

(E) New secondary loan guarantee commitments, $0.

(11) Health (550):

Fiscal year 1990:

(A) New budget authority, $57,400,000,000.

(B) Outlays, $55,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $62,900,000,000.

(B) Outlays, $61,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $69,000,000,000.

(B) Outlays, $67,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

(12) Medicare (570):

Fiscal year 1990:

(A) New budget authority, $122,400,000,000.

(B) Outlays, $98,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $134,800,000,000.

(B) Outlays, $112,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $148,100,000,000.

(B) Outlays, $127,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(13) Income Security (600):

Fiscal year 1990:

(A) New budget authority, $185,400,000,000.

(B) Outlays, $145,600,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $216,100,000,000.

(B) Outlays, $155,400,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $220,400,000,000.

(B) Outlays, $164,300,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(14) Social Security (650):

Fiscal year 1990:

(A) New budget authority, $5,500,000,000.

(B) Outlays, $5,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $4,300,000,000.

(B) Outlays, $4,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $5,000,000,000.

(B) Outlays, $5,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1990:

(A) New budget authority, $30,600,000,000.

(B) Outlays, $29,800,000,000.

(C) New direct loan obligations, $800,000,000.

(D) New primary loan guarantee commitments, $21,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $31,700,000,000.

(B) Outlays, $31,400,000,000.

(C) New direct loan obligations, $700,000,000.

(D) New primary loan guarantee commitments, $21,900,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $32,700,000,000.

(B) Outlays, $32,500,000,000.

(C) New direct loan obligations, $700,000,000.

(D) New primary loan guarantee commitments, $22,900,000,000.

(E) New secondary loan guarantee commitments, $0.

(16) Administration of Justice (750):

Fiscal year 1990:

(A) New budget authority, $10,900,000,000.

(B) Outlays, $10,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $12,000,000,000.

(B) Outlays, $11,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $12,600,000,000.

(B) Outlays, $12,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(17) General Government (800):

Fiscal year 1990:

(A) New budget authority, $10,300,000,000.

(B) Outlays, $10,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $10,700,000,000.

(B) Outlays, $10,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $11,300,000,000.

(B) Outlays, $10,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(18) Net Interest (900):

Fiscal year 1990:

(A) New budget authority, $197,500,000,000.

(B) Outlays, $197,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $214,300,000,000.

(B) Outlays, $214,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $226,800,000,000.

(B) Outlays, $226,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(19) The corresponding levels of gross interest on the public debt are as follows:

Fiscal year 1990: $262,500,000,000.

Fiscal year 1991: $282,800,000,000.

Fiscal year 1992: $298,000,000,000.

(20) Allowances (920):

Fiscal year 1990:

(A) New budget authority, $ – 100,000,000.

(B) Outlays, $ – 1,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $ − 100,000,000.

(B) Outlays, $ − 600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $ − 100,000,000.

(B) Outlays, $ − 600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(21) Undistributed Offsetting Receipts (950):

(A) Fiscal year 1990:

(A) New budget authority, $-61,600,000,000.

(B) Outlays, $-67,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $-78,600,000,000.

(B) Outlays, $-78,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $-94,700,000,000.

(B) Outlays, $-94,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

RECONCILIATION

SEC. 6. (a) Not later than June 15, 1989, the committees named in subsections (b) through (s) of this section shall submit their recommendations to the Committees on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

SENATE COMMITTEES

(b) The Senate Committee on Agriculture, Nutrition, and Forestry shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $2,850,000,000 in contributions, $1,100,000,000 in budget authority, and $1,020,000,000 in outlays in fiscal year 1990.

(c) The Senate Committee on Banking, Housing, and Urban affairs shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section

401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $2,850,000,000 in contributions, $0 in budget authority, and $200,000,000 in outlays in fiscal year 1990.

(d) The Senate Committee on Commerce, Science, and Transportation shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $680,000,000 in budget authority and $680,000,000 in outlays in fiscal year 1990.

(e) The Senate Committee on Environment and Public Works shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $487,000,000 in budget authority and $487,000,000 in outlays in fiscal year 1990.

(f)(1) The Senate Committee on Finance shall report (A) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (B) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (C) any combination thereof, sufficient to reduce budget authority and outlays as follows: $0 in budget authority and $2,800,000,000 in outlays in fiscal year 1990.

(2) The Senate Committee on Finance shall report changes in laws within its jurisdiction sufficient to increase revenues $5,300,000,000 in fiscal year 1990.

(g) The Senate Committee on Governmental Affairs shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $3,400,000,000 in budget authority and $2,900,000,000 in outlays in fiscal year 1990.

(h) The Senate Committee on Labor and Human Resources shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $250,000,000 in budget authority and $170,000,000 in outlays in fiscal year 1990.

(i) The Senate Committee on Veterans' Affairs shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $670,000,000 in budget authority and $670,000,000 in outlays in fiscal year 1990.

HOUSE COMMITTEES

(j) The House Committee on Agriculture shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $2,850,000,000 in contributions, $1,137,000,000 in budget authority, and $1,157,000,000 in outlays in fiscal year 1990.

(k) The House Committee on Banking, Finance, and Urban Affairs shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $2,850,000,000 in contributions, $0 in budget authority, and $200,000,000 in outlays in fiscal year 1990.

(l) The House Committee on Education and Labor shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows:

$150,000,000 in budget authority and $70,000,000 in outlays in fiscal year 1990.

(m) The House Committee on Energy and Commerce shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $1,087,000,000 in budget authority and $3,787,000,000 in outlays in fiscal year 1990.

(n) The House Committee on Interior and Insular Affairs shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $50,000,000 in budget authority and $50,000,000 in outlays in fiscal year 1990.

(o) The House Committee on Merchant Marine and Fisheries shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section

401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $217,000,000 in budget authority and $217,000,000 in outlays in fiscal year 1990.

(p) The House Committee on Post Office and Civil Service shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $3,400,000,000 in budget authority and $2,900,000,000 in outlays in fiscal year 1990.

(q) The House Committee on Public Works and Transportation shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $37,000,000 in budget authority and $37,000,000 in outlays in fiscal year 1990.

(r) The House Committee on Veterans' Affairs shall report (1) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to reduce budget authority and outlays as follows: $670,000,000 in budget authority and $670,000,000 in outlays in fiscal year 1990.

(s)(1) The House Committee on Ways and Means shall report (A) changes in laws within its jurisdiction that provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (B) changes in laws within its jurisdiction that provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (C) any combination thereof, sufficient to reduce budget authority and outlays as follows: $0 in budget authority and $2,700,000,000 in outlays in fiscal year 1990.

(2) The House Committee on Ways and Means shall report changes in laws within its jurisdiction sufficient to increase revenues $5,300,000,000 in fiscal year 1990.

SALE OF GOVERNMENT ASSETS

SEC. 7. (a) It is the sense of the Congress that—

(1) from time to time the United States Government should sell assets to nongovernment buyers; and

(2) the amounts realized from such asset sales will not recur on an annual basis and do not reduce the demand for credit.

(b) For purposes of allocations and points of order under section 302 of the Congressional Budget and Impoundment Control Act of 1974, the amounts realized from asset sales or prepayments of loans shall not be allocated to a committee and shall not be scored with respect to the level of budget authority or outlays under a committee's allocation under section 302 of such Act.

(c) For purposes of this section—

(1) the terms "asset sale" and "prepayment of a loan" shall have the same meaning as under section 257(12) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987); and

(2) the terms "asset sale" and "prepayment of a loan" do not include asset sales mandated by law before September 18, 1987, and routine, ongoing asset

sales and loan prepayments at levels consistent with agency operations in fiscal year 1986.

RESERVE FUND FOR SUBSIDIZED HOUSING CONTRACT RENEWALS

SEC. 8. (a) In the Senate, of the amounts specified in section 5 of this resolution, it is assumed that budget authority and outlays in amounts not to exceed the amounts specified in subsection (b) for fiscal year 1990 may be allocated to the Senate Committee on Appropriations to provide for subsidized housing contract renewals (without prejudice to the form or duration of such renewals that such legislation provides) when the Committee on Appropriations or the committee of conference on such renewals has reported legislation that will, if enacted, make funds available for such renewals.

(b) The amounts available for allocation under subsection (a) for subsidized housing contract renewals for fiscal year 1990 shall not exceed $1,092,000,000 of new budget authority and $50,000,000 of outlays.

(c) Upon the reporting of legislation pursuant to subsection (a), and again upon the submission of a conference report on such legislation (if such a conference report is submitted), the Chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under section 302(a) of the Congressional Budget and Impoundment Control Act of 1974, altered by amounts not to exceed those in such legislation. Such revised allocations shall be considered for the purposes of such Act as allocations contained in this resolution, and the Committee on Appropriations shall report revised allocations pursuant to section 302(b) of such Act for fiscal year 1990 to carry out this section.

RESERVE FUND FOR MEDICAID

SEC. 9. (a) In the Senate, it is assumed that budget authority and outlays may be allocated to the Senate Committee on Finance for increased Medicaid funding if the Committee on Finance or the committee of conference reports Medicaid funding legislation that—

(1) will, if enacted, make funds available for that purpose; and

(2) to the extent that the costs of such legislation are not included in this resolution, will not increase the deficit in this resolution for fiscal year 1990, and will not increase the total deficit for the period of fiscal years 1990 through 1992.

(b) Upon the reporting of legislation pursuant to subsection (a), and again upon the submission of a conference report on such legislation (if such a conference report is submitted), the Chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under section 302(a) of the Congressional Budget Act of 1974 and revised functional levels and aggregates to carry out this section. Such revised allocations, functional levels, and aggregates shall be considered for the purposes of such Act as allocations, functional levels, and aggregates contained in this resolution, and the Committee on Finance shall report revised allocations pursuant to section 302(b) of such Act for the appropriate fiscal year (or years) to carry out this section.

RESERVE FUND FOR IRS COMPLIANCE

SEC. 10. (a) In the Senate, of the amounts specified in section 5 of this resolution, it is assumed that budget authority and outlays in amounts not to exceed the amounts specified in subsection (b) for fiscal year 1990 may be allocated to the Senate Committee on Appropriations to provide for increased Internal Revenue Service compliance funding when the Committee on Appropriations or the committee of conference on Internal Revenue Service compliance funding has reported legislation that will, if enacted, make funds available for such Internal Revenue Service compliance.

(b) The amounts available for allocation under subsection (a) for Internal Revenue Service compliance funding for fiscal year 1990 shall not exceed $109,000,000 of new budget authority and $99,000,000 of outlays.

(c) Upon the reporting of legislation pursuant to subsection (a), and again upon the submission of a conference report on such legislation (if such a conference report is submitted), the Chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under section 302(a) of the Congressional Budget and Impoundment Control Act of 1974, altered by amounts not to exceed those in such legislation. Such revised allocations shall be considered for the purposes of such Act as allocations contained in this resolution, and the Committee on Appropriations shall report revised allocations pursuant to section 302(b) of such Act for fiscal year 1990 to carry out this section.

SCON 30 PCS——2

SCON 30 PCS——3

SCON 30 PCS——4

SCON 30 PCS——5

Calendar No. 49

101st Congress
1st Session

SENATE

Report
101-20

CURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1990

April 27, 1989.—Ordered to be printed

Filed under authority of the order of the Senate of April 19 (legislative day, January 3), 1989

Mr. Sasser, from the Committee on the Budget, submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. Con. Res. 30]

The Committee on the Budget submits the following report, accompanying the Concurrent Resolution on the Budget establishing the Congressional Budget for the United States Government for the fiscal year 1990, and setting forth the appropriate budgetary levels for the fiscal years 1991 and 1992, pursuant to the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) as amended by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177).

96-093

Chapter I. HIGHLIGHTS

BUDGET COMMITTEE RECOMMENDATION

[1990 OMB estimates; in billions of dollars]

Budget authority	**1,327.4**
Outlays	**1,164.9**
Revenues	**1,065.5**
Deficit	**−99.4**
G-R-H deficit target	**−100.0**

OVERVIEW

The Committee recommendation represents the first step towards implementing the 1990 bipartisan budget agreement.[1] The proposal achieves a deficit of $99.4 billion, as assumed in the agreement and includes functional allocations that reflect the levels in the agreement for defense, international affairs, domestic discretionary spending, and entitlement and mandatory programs. The resolution also provides the legislative framework to ensure enforcement of the budget agreement.

REVENUES

Revenue increases in the Committee recommendation total $14.2 billion; $5.3 billion in revenue measures that are reconciled to the Senate Finance Committee; $0.5 billion in increased revenues from an initiative to increase taxpayer compliance; user fees and other collections totaling $2.7 billion; and $5.7 billion in loan asset sales. These revenue increases are not specified in the resolution, apart from those resulting from the IRS compliance proposal.

NATIONAL DEFENSE

Defense spending in the Committee recommendation equals the levels in the agreement of $305.5 billion in budget authority and $299.2 billion in outlays. Outlay savings for defense, as measured against the Congressional Budget Office (CBO) baseline, total $4.2 billion.

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[1] A copy of this agreement appears in Chapter VI.

INTERNATIONAL DISCRETIONARY SPENDING

The Committee recommendation provides $19.0 billion in discretionary budget authority for international programs, about 4 percent above the 1989 appropriation and $17.0 billion in outlays. These amounts would allow current funding levels for State Department programs, export financing, and foreign assistance, including aid to Israel and Egypt. In addition, the recommendation could provide funding for several of the Administration's foreign affairs initiatives.

DOMESTIC DISCRETIONARY SPENDING

Domestic discretionary spending in the Committee plan is capped at $157.5 billion in budget authority and $181.3 billion in outlays, the same levels assumed in the bipartisan budget agreement. These amounts assume increases above the CBO alternative baseline in 1990 for education, space and science, housing, health, anti-drug programs, and other domestic priorities.

ENTITLEMENT AND MANDATORY SPENDING

Entitlement and mandatory savings total $6.8 billion in 1990, the same level assumed in the agreement. These savings could be achieved through changes in medicare, agriculture, veterans housing, Federal pensions, the Postal Service, or other entitlement programs. These estimates also reflect the budgetary impact of legislation taking the Postal Service off-budget if Postal Service reforms are adopted.

Chapter II. BUDGET OVERVIEW

The 1990 budget resolution meets the requirements of the bipartisan budget agreement for 1990[1] and represents the first step toward achieving this plan through the regular legislative process. The Committee recommendation reduces the deficit by $28 billion and avoids the automatic sequester that would damage both our national security and domestic priority programs. Reductions are spread equitably between revenue increases and spending cuts and among major spending programs. The resolution also protects important domestic priorities such as education, health, anti-drug programs, and housing.

The Committee recommendation translates the broad requirements of the agreement into budget functions, which show spending arrayed by major area of national need. These functional totals demonstrate the spending priorities of the Committee, particularly for domestic discretionary programs, which were not specified by the budget agreement. The resolution also makes allocations to the Appropriations Committee consistent with the caps on defense, international, and domestic discretionary spending and issues reconciliation instructions to the authorizing committees in order to achieve the entitlement and mandatory savings and revenues increases. These allocations and the reconciliation instructions are enforceable through Budget Act points of order.

By moving quickly on a budget resolution, the Congress can meet its legislative obligations and deadlines in an orderly fashion. The Committee believes that this demonstration of bipartisan cooperation will send a signal to financial markets that deficits will continue to decline. The groundwork has been laid for Congress and the administration to work together on a multiyear deficit reduction plan for 1991 and beyond.

DEFICIT REDUCTION IN THE COMMITTEE RECOMMENDATION

The Committee recommendation reduces the deficit to $99.4 billion, the same amount assumed by the bipartisan agreement. Table 1 shows deficit reduction in the budget resolution by major category.

Unlike the President's budget or a sequester, reductions in this plan are balanced among domestic spending, defense, and revenues. Deficit reduction is split evenly between revenue increases (tax measures, collections and asset sales) and spending cuts. A sequester, on the other hand, would cut $28 billion from the domestic spending side of the budget alone. This plan also distributes cuts fairly on the spending side of the budget. Defense outlays are reduced by $4 billion in 1990 compared to a $14 billion cut under a sequester or the $1 billion increase proposed by the President. International programs, which have been cut back in recent years, are allowed to increase above last year's level at the rate of inflation.

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[1] A copy of the bipartisan budget Agreement for 1990 is found in Chapter VI.

Total domestic discretionary outlays are held at last year's level plus inflation. This level must accommodate increases in long neglected areas such as education, anti-drug programs, health and housing programs.

Table 1

DEFICIT REDUCTION IN THE COMMITTEE RECOMMENDATION FOR 1990

(Savings Measured Against CBO Alternative Baseline)

[In billions of dollars]

REVENUES:	
Revenue Measures	−5.3
IRS Compliance	−0.5
User Fees and Offsetting Collections	−2.7
Asset Sales	−5.7
Subtotal, Revenues	−14.2
SPENDING:	
Defense (Function 050)	−4.2
International Discretionary	0.0
Domestic Discretionary	−0.3
Entitlements/Mandatory:	
Medicare	−2.7
Agriculture	−1.9
Veterans' programs	−0.5
Federal Pension and Postal Reform	−1.1
Other entitlements	−0.6
Subtotal, Entitlements/Mandatory	−6.8
Pay Offset, Retirement Contributions	+0.4
Adjustment: Postal Budgetary Treatment	−1.8
Debt Service	−1.1
Subtotal Spending	−13.8
TOTAL DEFICIT REDUCTION MEASURES	−28.0
FINAL DEFICIT	−99.4

SPENDING FOR DEFENSE AND INTERNATIONAL PROGRAMS

The bipartisan agreement established spending limits for 1990 on both defense and international programs. Totals in the Committee recommendation for these spending areas are consistent with the agreement. These totals are shown below in Table 2.

The Committee recommendation provides defense with $305.5 billion in budget authority for 1990, the first time it has exceeded $300 billion. Outlays total $299.2 billion, resulting in savings from the CBO baseline of more than $4 billion. These reductions could be achieved in part through needed reforms in DOD management.

This funding level will allow the Defense Department to continue to attract and retain quality personnel for our armed services, to improve the combat readiness and combat sustainability of our soldiers, and to proceed with the modernization of weapons systems in each service. In addition, this mark will maintain current operations at the Department of Energy's laboratories and nuclear weapon production facilities and implement the President's modernization and clean-up initiative for these facilities. It is important to note that this funding level also assumes the continuation of funds for the Congressionally initiated modernization of the National Guard Reserves.

Table 2

DEFENSE AND INTERNATIONAL SPENDING CAPS

[In billions of dollars]

	Budget authority	Outlays
Defense (050)	305.5	299.2
International discretionary	19.0	17.0

This resolution provides sufficient funding for international affairs programs. For 1990, discretionary budget authority totals $19.0 billion, about 4 percent above the 1989 appropriation. Outlays for international discretionary programs total $17.0 billion in 1990. This level will allow current funding levels for State Department programs, export financing, and foreign assistance, including aid to Israel and Egypt. In addition, the recommendation includes funding for several of the Administration's foreign affairs initiatives.

DOMESTIC DISCRETIONARY SPENDING

The budget agreement capped domestic discretionary spending at $157.5 billion in budget authority and $181.3 billion in outlays. These caps provide a restraint on the growth of domestic spending, but will allow for the critical investments that the administration and the leadership of Congress acknowledge must be made.

Over the last 8 years, domestic discretionary spending has borne the brunt of deficit reduction. In 1980, domestic discretionary spending was 5.3 percent of GNP. Since then, it has dropped to 3.5 percent. In real dollars, this is a drop of $21.5 billion in budget authority, a decline of 13 percent. This reduction translates to an underinvestment in many areas, including a drop in the Federal commitment to education and housing and an inability to meet the research and development demands that will take us into the twenty-first century.

The Committee recommendation allocates domestic discretionary spending by function according to critical domestic priorities. In particular, the resolution includes provisions in the following areas.

—An 11 percent increase in budget authority above 1989 for *general science and space activities.* This level supports initial construction of the Superconducting Super Collider.

—$1.1 billion in budget authority for the renewal of expiring *subsidized housing* contracts.

—Increased investment in *environmental protection programs.*

—Increases for *energy programs,* including energy conservation, geoscience and renewable resource programs.

—A *rural development* initiative intended to increase the level of Federal investment for basic rural economic development and infrastructure needs.

—Increased funding for the *Federal Aviation Administration* to facilitate continued modernization of the air traffic control system.

—Increases for *anti-drug programs* including additional funding for the Coast Guard for drug interdiction activities, increases for law enforcement activities, and drug abuse education programs.

—Increases for several high-priority *education programs,* including Head Start, drug free schools, elementary, secondary, and post-secondary education programs aimed at disadvantaged students.

—Funding for new initiatives for quality, affordable *child care* for working parents.

—Full funding of homeless programs under the McKinney Act of 1987, as amended.

—A significant increase in the Women, Infants and Children (WIC) feeding program.

—Increases for several high priority health programs, including maternal and child health, community health centers, infant mortality, childhood immunizations, the National Health Service Corps, mental health, and AIDS.

ENTITLEMENT AND MANDATORY PROGRAMS

The Committee recommendation assumes cuts of $6.8 billion below the CBO baseline in entitlement and mandatory spending. The majority of these savings will be reconciled to the authorizing committees. The remaining savings will be achieved through administrative actions.

Assumptions made under this agreement make no reductions in benefits for social security recipients and low income individuals. In addition, the recommendation assumes full cost-of-living allowances for civil service, military, and railroad retirees in all years. The remaining cuts call for shared sacrifice, apportioning reductions equitably among major program areas as specified in the bipartisan budget agreement. The committees of jurisdiction are of course responsible for preparing the specified legislation proposals to achieve these savings.

—*Agriculture.* Farm programs are reduced by $1.9 billion. This level adopts the President's advanced deficiency payment proposals and reduces programs cuts to roughly half the level called for in the Bush budget.

—*Medicare.* The resolution incorporates the agreement for $2.7 billion in reconciled medicare program savings. This amount is roughly half the amount originally requested by the President. The Committee anticipates that protection will be provided for financially-strapped hospitals and that increases in beneficiary out-of-pocket expenses will be avoided.

—*Veterans Loan Programs.* Savings in veterans programs total $0.7 billion as specified in the agreement. These savings could be achieved through the continuation of existing housing loan policies.

—*Federal Pension and Postal Reform.* Savings in this area could be achieved by a variety of measures including but not limited to allowing Federal retirees to withdraw their lump-sum benefits in annual installments rather than the all at once. The proposal to adjust the budgetary treatment of the Postal Service to an off-budget status is predicated on the adoption of on-budget postal reform savings.

SPENDING FOR STATE AND LOCAL PROGRAMS

The Federal Government provides financial assistance to States and localities to support public education, law enforcement, and road, sewer and other infrastructure construction. In addition, Federal aid helps pay the costs of various income maintenance programs and bolsters local efforts to promote economic development and job creation.

The Committee recommendation could accommodate baseline funding levels for State and local programs, consistent with the caps set forth in the bipartisan budget agreement.

The Committee recommendation for grants to State and local governments reflects the belief that our current system of federalism should be maintained. The Committee realizes, however, the need for long-term spending restraint in both domestic and defense programs and it urges the U.S. Advisory Commission on Intergovernment Relations to continue its various studies into the ways in which the Federal grant system be made more cost-effective and also meet essential program needs during a period of fiscal austerity.

REVENUE ASSUMPTIONS

The Committee recommendation includes $14.2 billion in revenue increases, the same level proposed by President Bush. These revenue increases account for half of the total deficit reduction. They include:

—$5.3 billion in revenue measures and $0.5 billion from an Internal Revenue Service compliance initiative proposed by the administration.

—A $2.7 billion package of user fee increases and other offsetting collections.

—A total of $5.7 billion in asset sales. (Asset sales are not included in the deficit calculation for purposes of determining the need for a sequester under G-R-H).

Revenue measures, most user fee increases, and asset sales are reconciled to the appropriate committees of jurisdiction. These committees are charged with preparing the specific legislative proposals required to meet these savings targets; the budget resolution does not include specific proposals for these items.

The increase in compliance revenues is contingent upon increased funding for the IRS. In order to ensure that this increase is enacted, the budget resolution includes language that allocates the necessary funds for this increase to the Appropriations Committee when the Committee reports legislation providing for these additional amounts.

OUTLOOK FOR NEXT YEAR

The implementation of this agreement will not mean an end to the job of deficit reduction. It meets the G-R-H deficit target in 1990—but it falls short of meeting the long term goal of balancing the budget by 1993.

The leadership of Congress and the administration recognize that this agreement represents only a beginning. Long term success will require harder choices that could not be made within the framework of this year's negotiations.

The bipartisan agreement provides more, however, than simply hope of achieving this long term success. The leadership of Congress and the administration have pledged to continue their bipartisan assault on the deficit. The agreement calls for continuing negotiations by the budget task force to pave the way for a multi-year agreement that achieves the goal of a balanced budget by 1993.

Chapter III. SUMMARY OF COMMITTEE RECOMMENDATIONS

REVENUE RECOMMENDATIONS

The budget resolution revenue levels are consistent with the bipartisan budget agreement between Congress and the administration. The resolution reconciles unspecified revenue increases of $5.3 billion in 1990 to the Senate Finance Committee. In addition, the resolution assumes an increase of $0.5 billion from increased IRS compliance activities. This increase is contingent on funding of these compliance activities through the appropriations process.

Recommended revenue levels reflect administration economic and technical assumptions as they pertain to revenues under current law.

COMMITTEE REVENUE RECOMMENDATION

[In billions of dollars]

	1989	1990	1991	1992
CBO Baseline	982.9	1,068.6	1,140.1	1,208.6
Revenue adjustments:				
Revenue measures	0.0	5.3	5.3	5.3
IRS initiative	0.0	0.5	0.5	0.5
OMB economic and technical assumptions	−4.7	−8.9	−1.6	+1.6
Committee recommendation	978.2	1,065.5	1,144.3	1,216.0

OMB BASELINE REVENUES BY SOURCE

[In billions of dollars]

	1989	1990	1991	1992
Individual income tax	426.4	467.8	509.7	550.6
Corporate income tax	107.4	120.0	131.0	139.1
Social insurance tax	364.7	390.0	417.4	440.3
Excise taxes	34.0	34.1	31.6	30.9
Estate and gift taxes	7.9	8.1	8.3	8.3
Customs duties	16.3	17.4	18.4	19.4
Other miscellaneous	21.5	22.6	22.2	21.9
Total	978.2	1,060.1	1,138.6	1,210.3

Tax Expenditures

TAX EXPENDITURES DEFINED

Tax expenditures are defined in the Congressional Budget Act as ". . . those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption or deduction from gross income or which provide a special credit, a preferential rate of tax or a deferral or tax liability." The Act requires the estimated tax expenditure estimates to be included in the report accompanying a budget resolution.

In many respects, tax expenditures are analogous to direct spending programs that have no spending limits, and that are available as entitlement to individuals and corporations who meet the criteria established for the programs. The term tax expenditure comes from the assumption that the objectives of many of these preferential tax provisions might be equally accomplished by expenditure programs.

With respect to estimating additional revenues from the termination or limitation of tax expenditure provisions, it should be noted that because of interaction among provisions, the revenue effect of altering more than one of these preference items would not necessarily equal the sum of each individual item.

TAX EXPENDITURE ESTIMATES

The scaling back of tax preferences and reductions in marginal rates significantly reduced revenue losses associated with a wide variety of tax preferences in prior law. Notwithstanding the changes accomplished in the 1986 Act, many tax preferences remain. Tax expenditures are estimated to grow from $312.1 billion in 1990 to $353.0 billion in 1992.

To aid analysis of the economic benefits provided through the tax laws to various sectors of the economy, tax expenditures are grouped in Table 1 in the same functional categories as outlays in the Federal budget. Estimates are shown separately for individuals and corporations. Those tax expenditures that do not fit clearly into any of the budget functional categories have been placed in the most appropriate functional category.

Several of the tax expenditure items involve small revenue loss, and those estimates are indicated in Table 1 by footnote 1. For each of these items, the footnote means that the revenue loss is less than $50 million in the fiscal year.

Table 2 presents tax return information for each of nine income classes on the number of all returns filed, the number of all returns and taxable returns with itemized deductions, and the amount of tax liability.

Table 3 provides estimates by income class for some of the tax expenditures which affect individual taxpayers. Not all tax expenditures which affect individuals are shown in this table because of the difficulty in making reliable estimates of the income distribution of items which do not appear on tax returns under present law.

Tables 1, 2, and 3 assume the tax laws as enacted through December 31, 1988.

All tax expenditure and distribution estimates were developed by staff of the Joint Committee on Taxation and published in *Estimates of Federal Tax Expenditures for Fiscal Years 1990–1994*, February 28, 1989. (GPO doc. no. JCS-4-89).

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1990–1994

[Billions of dollars]

Function	Corporations					Individuals					Total 1990–94
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994	
National defense											
Exclusion of benefits and allowances to Armed Forces personnel						1.9	2.0	2.1	2.3	2.4	10.8
Exclusion of military disability pensions						0.1	0.1	0.1	0.1	0.1	0.6
International affairs											
Exclusion of income earned abroad by U.S. citizens						1.3	1.4	1.5	1.5	1.6	7.3
Exclusion of certain allowances for Federal employees abroad						0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	0.6	0.8	0.9	1.0	1.1						4.3
Deferral of income of controlled foreign corporations	0.1	0.1	0.1	0.1	0.1						0.5
Inventory property sales source rule exception	2.6	2.9	3.2	3.4	3.7						15.9
Interest allocation rules exception for certain nonfinancial institutions	0.1	0.1	0.1	0.1	0.1						0.4
General science, space, and technology											
Expensing of research and development expenditures	1.2	1.5	1.6	1.8	2.0						8.1
Credit for increasing research activities	0.8	0.2	(1)	(1)	(1)						1.0
Energy											
Expensing of exploration and development costs:											
Oil and gas	−0.3	−0.1	(1)	0.2	0.2	0.4	0.4	0.5	0.5	0.6	2.5
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Excess of percentage over cost depletion:											
Oil and gas	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	1.9
Other fuels	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.1

Footnotes at end of table.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1990–1994—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1990–94
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994	
Exception from passive loss limitation for working interests in oil and gas properties						0.2	0.3	0.3	0.3	0.3	1.4
Alternative fuel production credit	(1)	(1)	(1)	(1)	(1)						(1)
Alcohol fuel credit [3]	(1)	(1)	(1)	(1)		(1)	(1)	(1)	(1)		0.1
Exclusion of interest on State and local government industrial development bonds for energy production facilities	(2)	(2)	(2)	(2)	(2)	0.2	0.2	0.2	0.2	0.2	0.9
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Business energy tax credits	(1)	(2)	(2)	(2)	(2)						(1)
Natural resources and environment											
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.2	0.3	0.3	0.3	(1)	(1)	(1)	(1)	(1)	1.3
Investment credit and 7-year amortization for reforestation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Expensing multiperiod timber-growing costs	0.3	0.3	0.4	0.4	0.4	(1)	(1)	(1)	(1)	(1)	1.9
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	−0.3	−0.4	−0.4	−0.4	0.4	1.7	1.8	1.8	1.9	2.0	7.2
Investment tax credit and passive loss exception for rehabilitation of historic structures	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.6
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Agriculture											
Expensing of certain multiperiod production costs	0.1	0.1	(1)	(1)	(1)	0.2	0.2	0.2	0.1	0.1	1.1
Deductibility of patronage dividends and certain other items of cooperatives	0.3	0.3	0.3	0.3	0.3	−0.1	−0.1	−0.1	−0.1	−0.1	1.3
Exclusion of cost-sharing payments						(1)	(1)	(1)	(1)	(1)	0.1

Exclusion of cancellation of indebtedness income of farmers	......	......	......	......	......	(1)	(1)	(1)	(1)	(1)	0.1
Cash accounting for agriculture	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.2	0.1	1.8
Commerce and housing											
Financial institutions:											
Bad-debt reserves of financial institutions	0.2	0.1	0.1	0.2	0.2	......	......	......	......	......	0.8
Merger rules for banks and thrift institutions [4]	2.5	2.5	2.3	2.4	2.1	......	......	......	......	......	11.7
Exemption of credit union income	0.6	0.6	0.7	0.8	0.9	......	......	......	......	......	3.6
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	0.4	0.4	0.4	0.5	0.5	5.8	6.4	7.1	7.8	8.7	38.1
Exclusion of investment income from structured settlement amounts	(1)	(1)	(1)	(1)	(1)	......	......	......	......	......	0.1
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	......	......	......	......	......	0.5
Treatment of life insurance company reserves	0.6	0.7	0.7	0.7	0.8	......	......	......	......	......	3.5
Deduction of unpaid loss reserves for property and casualty insurance companies	2.0	1.9	1.6	1.4	1.3	......	......	......	......	......	8.2
Special alternative tax on small property and casualty insurance companies	(1)	(1)	(1)	(1)	(1)	......	......	......	......	......	0.1
Tax exemption for certain insurance companies	(1)	(1)	(1)	(1)	(1)	......	......	......	......	......	0.1
Special deduction for Blue Cross and Blue Shield companies	0.1	0.1	(1)	(1)	(1)	......	......	......	......	......	0.2
Housing:											
Deductibility of mortgage interest on owner-occupied residences	......	......	......	......	......	25.4	26.0	26.2	27.4	28.1	133.5
Deductibility of property tax on owner-occupied homes	......	......	......	......	......	8.1	8.4	8.7	9.0	9.4	43.5
Deferral of capital gains on sales of principal residences	......	......	......	......	......	10.3	10.9	11.5	12.1	12.7	57.4
Exclusion of capital gains on sales of principal residences for persons age 55 and over	......	......	......	......	......	3.4	3.6	3.8	4.0	4.2	19.1
Exclusion of interest on State and local government bonds for owner-occupied housing	0.3	0.3	0.3	0.3	0.3	1.4	1.4	1.3	1.2	1.1	7.8
Depreciation of rental housing in excess of alternative depreciation system	0.2	0.2	0.2	0.3	0.3	0.4	0.5	0.5	0.5	0.6	3.6
Credit and exception from passive loss rules for low-income housing	0.1	0.1	0.1	0.1	0.1	0.5	0.6	0.6	0.6	0.6	3.3

Footnotes at end of table.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1990-1994—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1990-94
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994	
Exclusion of interest on State and local government bonds for rental housing	0.2	0.2	0.2	0.2	0.2	0.6	0.6	0.6	0.6	0.6	4.2
Other business and commerce:											
Depreciation on buildings other than rental housing in excess of alternative depreciation system	0.5	0.5	0.5	0.5	0.5	0.2	0.2	0.2	0.2	0.2	3.5
Depreciation on equipment in excess of alternative depreciation system	10.9	12.3	14.1	15.9	17.7	3.7	4.0	4.2	4.6	5.1	92.5
Investment credit other than ESOPs, rehabilitation of structures, reforestation, and energy property	3.4	1.9	1.2	0.4	0.2	0.4	0.2	0.1	(1)	(1)	7.8
Expensing up to $10,000 depreciable business property	0.6	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	1.7
Exclusion of capital gains at death:											
Capital gains at death	....	....	....	....	....	5.4	5.5	5.6	5.8	6.0	28.3
Carryover basis on gifts	....	....	....	....	....	0.3	0.4	0.4	0.5	0.6	2.2
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.0
Reduced rates on first $75,000 of corporate taxable income	5.2	5.5	5.7	6.0	6.2	....	....	....	....	....	28.6
Deduction of personal interest	....	....	....	....	....	1.9	0.9	....	....	....	2.8
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.1	0.2	0.2	0.2	0.2	1.0
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.8
Completed contract rules	−1.1	−0.3	0.3	0.5	0.5	−0.1	(2)	(1)	(1)	(1)	−0.1
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Exclusion of interest on State and local government small-issue bonds	−0.1	−0.1	−0.1	−0.1	−0.1	2.3	2.2	2.2	2.2	2.2	10.3

Exception from passive loss rules for $25,000 of rental losses						3.5	3.8	3.8	3.8	3.8	18.7
Deferral of gain on like-kind exchanges	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	2.5
Exception from net operating loss limitations for corporations in bankruptcy proceedings	0.2	0.2	0.2	0.2	0.2						1.0
Gain from sale or exchange to effectuate policies of the FCC	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Treatment of Alaska Native Corporations	(1)	(1)									(1)
Exemption of RIC expenses from miscellaneous deduction floor						0.3	0.4	0.5	0.6	0.7	2.4
Transportation											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1						0.5
Exclusion of interest on State and local government bonds for mass transit commuting vehicles	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of interest on State and local government bonds for high-speed inter-urban rail facilities	(2)	(2)	(2)	(2)	(2)	(1)	(1)	0.1	0.1	0.1	0.2
Community and regional development											
Investment credit and passive loss exception for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Exclusion of interest on State and local government bonds for private airports and docks	−0.1	−0.1	−0.1	−0.1	−0.2	0.7	0.7	0.8	0.8	0.9	3.3
Education, training, employment, and social services											
Education and training:											
Exclusion of scholarship and fellowship income						0.5	0.5	0.6	0.6	0.7	2.9
Parental personal exemption for students age 19 to 23						0.3	0.3	0.3	0.4	0.4	1.7
Exclusion of interest on State and local government student loan bonds	(1)	(1)	(1)	(1)	(1)	0.3	0.3	0.4	0.4	0.4	1.8
Exclusion of interest on State and local government bonds for private educational facilities	(1)	(1)	(1)	(1)	(1)	0.3	0.3	0.3	0.3	0.3	1.6
Deductibility of charitable contributions for education	0.5	0.5	0.6	0.6	0.6	1.3	1.4	1.5	1.5	1.6	10.1
Educational savings bonds						(1)	0.1	0.2	0.2	0.3	0.8
Employment:											
Targeted jobs credit	0.3	0.3	0.1	0.1	(1)	0.1	(1)	(1)	(1)		0.9

Footnotes at end of table.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1990–1994—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1990–94
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994	
Exclusion of employee meals and lodging (other than military)						0.8	0.8	0.8	0.9	0.9	4.1
Employee stock ownership plans (ESOPs)	0.3	0.3	0.4	0.4	0.4	(1)	(1)	(1)	(1)	(1)	1.7
Exclusion for benefits provided under cafeteria plans						2.0	2.8	3.5	4.1	4.7	17.1
Exclusion of rental allowances for minister's home						0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of miscellaneous fringe benefits						3.9	4.1	4.4	4.8	5.1	22.3
Exclusion of employee awards						0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of income earned by benefit organizations:											
Supplemental unemployment benefits trusts						(1)	(1)	(1)	(1)	(1)	0.1
Voluntary employees' beneficiary associations						0.5	0.5	0.5	0.6	0.6	2.7
Social services:											
Deductibility of charitable contributions, other than for education and health	0.5	0.5	0.6	0.6	0.7	10.0	10.6	11.1	11.7	12.3	58.7
Credit for child and dependent care expenses						3.9	4.1	4.2	4.4	4.6	21.2
Exclusion for employer-provided child care						0.3	0.5	0.7	0.8	0.9	3.2
Exclusion for certain foster care payments						(1)	(1)	(1)	(1)	(1)	0.1
Expensing costs of removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health											
Exclusion of contributions by employers and self-employed for medical insurance premiums and medical care						32.6	36.7	40.1	45.3	50.8	20.55
Deductibility of medical expenses						2.8	2.9	3.1	3.2	3.3	15.3

Exclusion of interest on State and local government bonds for private hospital facilities	(1)	0.1	0.1	0.1	0.1	2.3	2.5	2.8	3.1	3.4	14.5
Deductibility of charitable contributions for health	0.2	0.2	0.2	0.2	0.2	1.3	1.3	1.4	1.5	1.6	8.1
Tax credit for orphan drug research	(1)	(1)	(1)	(1)	(1)	...	...	...	...	...	0.1
Medicare											
Exclusion of untaxed medicare benefits:											
Hospital insurance	...	...	...	...	...	5.8	6.9	7.8	8.9	9.9	39.3
Supplemental medical insurance	...	...	...	...	...	3.2	3.9	4.6	5.5	6.5	23.6
Income security											
Exclusion of untaxed railroad retirement system benefits	...	...	...	...	...	0.4	0.4	0.4	0.5	0.5	2.1
Exclusion of workers' compensation benefits	...	...	...	...	...	2.2	2.3	2.4	2.5	2.6	12.0
Exclusion of special benefits for disabled coal miners	...	...	...	...	...	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of cash public assistance benefits	...	...	...	...	...	0.3	0.3	0.3	0.4	0.4	1.7
Net exclusion of pension contributions and earnings	...	...	...	...	...	48.5	51.3	54.4	57.6	61.1	272.9
Individual retirement plans	...	...	...	...	...	9.1	9.6	10.3	11.2	12.2	52.5
Keogh plans	...	...	...	...	...	2.2	2.3	2.3	2.3	2.4	11.5
Exclusion of other employee benefits:											
Premiums on group term life insurance	...	...	...	...	...	1.8	1.9	2.0	2.1	2.2	9.8
Premiums on accident and disability insurance	...	...	...	...	...	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion for employer-provided death benefits	...	...	...	...	...	(1)	(1)	(1)	(1)	(1)	0.1
Additional standard deduction for the blind and the elderly	...	...	...	...	...	1.5	1.7	1.9	2.1	2.4	9.6
Tax credit for the elderly and disabled	...	...	...	...	...	0.1	0.1	0.1	0.1	0.1	0.5
Deductibility of casualty and theft losses	...	...	...	...	...	0.2	0.2	0.1	0.1	0.1	0.7
Earned income credit [5]	...	...	...	...	...	1.1	1.2	1.2	1.3	1.4	6.2
Social security											
Exclusion of untaxed social security benefits	...	...	...	...	...	21.0	23.0	25.2	27.6	30.2	127.2
Veterans' benefits and services											
Exclusion of veterans' disability compensation	...	...	...	...	...	1.3	1.4	1.4	1.5	1.6	7.2
Exclusion of veterans' pensions	...	...	...	...	...	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of GI bill benefits	...	...	...	...	...	0.1	0.1	0.1	0.1	0.1	0.3
Exclusion of interest on State and local government veterans' housing bonds	0.1	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.2

Footnotes at end of table.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1990–1994—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1990–94
	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994	
General purpose fiscal assistance											
Exclusion of interest on public purpose State and local government debt	1.4	1.3	1.3	1.3	1.3	8.8	9.9	10.8	11.7	12.9	60.7
Deduction of nonbusiness State and local government income and personal property taxes	....	....	....	....	....	19.0	20.4	21.8	23.3	24.9	109.4
Exclusion and tax credit for corporations with possessions source income	1.9	2.1	2.3	2.5	2.7	....	....	....	....	....	11.5
Interest											
Deferral of interest on savings bonds	....	....	....	....	....	0.9	0.9	1.0	1.0	1.0	4.8

Footnotes to table 1:

[1] Positive tax expenditure of less than $50 million.

[2] Negative tax expenditure of less than $50 million.

[3] In addition, the 6-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.4 billion for 1990 through 1992, $0.3 billion in 1993, and $0.1 billion in 1994.

[4] This estimate does not reflect possible changes in program activity under the new plan proposed by the Administration.

[5] The figures in the table show the effect of the earned income credit on receipts. The increase in outlays is: $4.4 billion in 1990, $4.8 billion in 1991, $5.2 billion in 1992, $5.5 billion in 1993, and $6.0 billion in 1994.

ADDENDUM TO TABLE 1.—SUM OF TAX EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1990–1994

[Billions of dollars]

Fiscal year	Corporations	Individuals	Total
1990	38.7	273.4	312.1
1991	39.6	292.9	332.5
1992	41.8	311.2	353.0
1993	44.5	334.5	379.0
1994	46.8	359.4	406.2

NOTE.—These totals represent the mathematical sum of the estimated fiscal year effect of each of the tax expenditure items included in Table 1. The limitations on the use of the totals is explained in the text.

Table 2.—Distribution by Income Class of All Returns. Taxable Returns, Itemized Returns, and Tax Liability, at 1990 Rates and 1990 Law and 1990 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	All returns [3]	Taxable returns	Itemized returns		Tax liability
			Total	Taxable	
Below $10	27,312	4,150	484	166	−57
$10 to $20	28,311	17,756	2,218	1,402	15,264
$20 to $30	22,275	19,998	4,251	3,807	35,747
$30 to $40	16,535	16,022	5,852	5,608	45,731
$40 to $50	9,123	8,988	4,451	4,310	36,960
$50 to $75	11,428	11,347	7,913	7,807	86,470
$75 to $100	3,034	3,027	2,541	2,550	38,903
$100 to $200	2,873	2,859	2,620	2,609	75,915
$200 and over	986	977	913	893	118,966
Total	121,877	85,124	31,242	29,152	453,899

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[1] Tax law as in effect on January 1, 1990, is applied to the 1990 level and sources of income and their distribution among taxpayers. Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into classes is adjusted gross income (AGI) plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside buildup on life insurance, (4) workers compensation, (5) nontaxable social security benefits, (6) deductible contributions to individual retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preferences, from passive business activities.

[3] Includes filing and nonfiling units. Filing units includes all taxable and nontaxable returns. Nonfiling units include individuals with income that is exempt from Federal income taxation (*e.g.*, transfer payments, interest from tax-exempt bonds, etc.).

NOTE.—Detail may not add to total due to rounding.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1990 Rates and 1990 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Medical deduction		Real estate tax deduction	
	Returns	Amount	Returns	Amount
Below $10	77	14	68	3
$10 to $20	803	229	1,055	87
$20 to $30	1,271	354	3,132	358
$30 to $40	1,738	710	4,935	670
$40 to $50	889	328	4,068	645
$50 to $75	845	474	7,452	2,264
$75 to $100	197	243	2,416	1,210
$100 to $200	119	373	2,463	1,884
$200 and over	20	149	817	1,208
Total	**5,959**	**2,873**	**26,405**	**8,330**

Footnotes at end of table.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1990 Rates and 1990 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	State and local income tax deduction		Charitable contributions deduction	
	Returns	Amount	Returns	Amount
Below $10	76	3	51	1
$10 to $20	1,129	92	1,104	62
$20 to $30	3,233	434	3,464	307
$30 to $40	4,842	1,017	5,275	826
$40 to $50	3,856	995	4,235	705
$50 to $75	6,812	3,675	7,741	2,041
$75 to $100	2,208	2,150	2,494	1,099
$100 to $200	2,253	4,743	2,558	2,408
$200 and over	741	6,703	886	5,627
Total	**25,149**	**19,812**	**27,809**	**13,077**

Footnotes at end of table.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1990 Rates and 1990 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Child care credit		Earned income credit [3]	
	Returns	Amount	Returns	Amount
Below $10	47	57	2,119	1,466
$10 to $20	1,411	577	6,029	3,804
$20 to $30	2,086	1,012	2,117	593
$30 to $40	1,796	848	144	58
$40 to $50	1,204	548	18	8
$50 to $75	1,533	652	14	7
$75 to $100	406	184	0	0
$100 to $200	239	106	0	0
$200 and over	43	30	0	0
Total	8,765	4,014	10,441	5,937

Footnotes at end of table.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1990 Rates and 1990 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Untaxed Social Security benefits		Additional standard deduction for the elderly and blind	
	Returns	Amount	Returns	Amount
Below $5	([4])	([5])	0	0
$5 to $10	3,509	781	10	0
$10 to $15	3,439	2,108	669	83
$15 to $20	3,091	2,738	1,143	169
$20 to $30	5,028	5,971	2,919	506
$30 to $50	5,538	6,753	2,873	574
$50 to $75	1,798	1,619	739	201
$75 to $200	1,023	1,131	225	67
$200 and over	168	287	24	6
Total	**23,594**	**21,389**	**8,603**	**1,606**

Footnotes to table 3:

[1] Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into classes is adjusted gross income (AGI) plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside buildup on life insurance, (4) workers' compensation, (5) nontaxable social security benefits, (6) deductible contributions to individual retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preferences, from passive business activities.

[3] Includes the refundable portion of the earned income credit.

[4] Less than 500.

[5] Less than $500,000.

NOTE.—Detail may not add to total due to rounding.

SPENDING RECOMMENDATIONS BY FUNCTION

Function 050: NATIONAL DEFENSE

SUMMARY

Function 050 covers the military and civilian operations of the Department of Defense and the defense-related activities of the Department of Energy. This function includes the pay allowances for over 2 million active duty military personnel and 1 million civilian personnel at over 580 major installations. Function 050 also includes the funding for the research, development, maintenance, and procurement programs necessary to continue the modernization and upkeep of the equipment provided for these personnel.

Function 050 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	BA	298.8	305.5	317.8	330.5
	O	[1] 296.7	299.2	311.0	322.1

[1] OMB's estimate of Function 050 outlays for 1989 is $298.3 billion.

COMMITTEE RECOMMENDATION

The Committee recommendation for 1990 provides Function 050 with $305.5 billion in budget authority, a 2.2 percent nominal increase above the 1989 level. Outlays for National Defense would rise to $299.2 billion. Accordingly to the Congressional Budget Office, defense outlays increase approximately $2.5 billion over the 1989 level. Estimates for defense spending in 1991 and 1992 assume zero real growth using CBO baseline economic and technical assumptions.

Regarding pay raise increases, it is assumed that DoD military and civilian employees could receive the same pay increase as civilian non-defense employees.

If the Committee recommendation is accepted, funding for the Department of Defense and defense-related activities will exceed $300 billion for the first time in history.

The Committee recommendation should allow the Defense Department to continue to attract and retain quality personnel for our armed services and to maintain the combat readiness and combat sustainability of our soldiers. Furthermore, the Pentagon should be able to proceed with the modernization of priority weapons systems in each service. This modernization includes the MH-60K helicopter and the Advanced Heavy Missile System for the Army, the SSN-21 attack submarine, Trident D-5 missile, and Advanced Tactical Aircraft for the Navy and the C-17 Transport, the Advanced Tactical Fighter, and the Advanced Medium Range Air-to-Air Missile for the Air Force.

The Committee recommendation assumes that President Bush's request for atomic energy defense activities as announced on March 10, 1989 is fully funded. The President's request for subfunction 053 totalled $9.4 billion in budget authority and $8.8 billion in outlays. Based on testimony from government and outside experts, the Committee believes that this level of funding is the minimum required to both maintain current operations at the Department of Energy's laboratories and nuclear weapon production facilities and to implement the President's modernization and clean-up initiatives for these facilities.

Finally, the Committee recommendation assumes the continuation of funds for the congressionally initiated modernization of the National Guard and Reserves.

Function 150: INTERNATIONAL AFFAIRS

SUMMARY

Function 150 covers the international affairs programs of the United States, including foreign economic, development, and security assistance, operations of the State Department, foreign broadcast and information activities, and the Export-Import Bank.

Function 150 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	18.3	19.0	19.6	20.5
	O	16.5	17.0	17.3	17.9
Mandatory programs	BA	−1.9	−0.7	−1.0	−0.8
	O	−5.0	−0.3	−0.6	−0.8
(Reconciled savings)	BA				
	O				
Committee recommendation	BA	16.4	18.3	18.6	19.7
	O	11.5	16.7	16.7	17.1

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommends $18.3 billion in budget authority and $16.7 billion in outlays for the international affairs function of the budget. This level provides $19.0 billion in budget authority and $17.0 billion in outlays for the discretionary programs within this function, about 4 percent above the 1989 appropriations.

This level will allow current funding for State Department and foreign assistance programs as well as the Export-Import Bank. The Committee assumes that funding levels for this function will allow continuation of current levels of assistance for Israel and Egypt. The Committee also notes that sufficient funds are available to implement the recommendations of the International Commission on Central American Recovery and Development.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes no policy changes from CBO baseline levels in entitlements and other mandatory programs in this function.

Other recommendations

The Committee notes that the Congress has consistently rejected administration requests for large increases in foreign affairs appropriations. Between 1986 and 1989, Congress rejected over $8 billion in proposed increases for discretionary international affairs programs. The 1990 bipartisan budget agreement provides appropriations levels $1 billion below the administration request (as modified to include Export-Import Bank direct loans).

A continuing mismatch between administration requests and congressional funding levels is not in the best interests of pursuing a coherent international affairs agenda. The Committee encourages the new administration to take note of congressional unwillingness to provide large increases for these programs when it develops funding requests in future years.

The Committee commends the Agency for International Development for its wide-ranging review of development assistance and its role in American foreign policy. The Committee believes that a concurrent review of security assistance programs is also warranted given the current budget environment. As such, the Committee requests that the Director of the Defense Security Assistance Agency provide to the Committee on the Budget by September 1, 1989 a study on current and future directions of the nation's military assistance programs.

The Committee encourages the State Department to continue to pursue efforts to reduce the costs of its operations abroad. The Committee is particularly interested in the special embassy and consulate programs as well as other efforts which could substantially reduce future operating costs. To this end, the Committee places a high priority on the success of the Pre-Engineered Office Building construction program underway for our new embassy in Port Moresby.

Function 150 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	1.9	2.0	2.1	2.2
	LG	10.9	6.4	6.7	6.9

DL—Direct loan. LG—Loan guarantee.

Function 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

SUMMARY

Function 250 covers NASA's space activities, as well as the basic science and general research programs of the National Science Foundation and the Department of Energy.

Function 250 SPENDING PROJECTS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	12.7	14.2	14.8	15.4
	O	12.6	13.9	14.7	15.1
Mandatory programs	BA	0.3	0.1	+(*)	0.1
	O	0.1	+(*)	0.1	+(*)
(Reconciled savings)	BA				
	O				
Committee recommendation	BA	13.0	14.2	14.8	15.5
	O	12.7	14.0	14.8	15.1

* Less than $50 million.

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes $14.2 billion in budget authority and $14.0 billion in outlays for Science, Space and Technology programs. This represents an increase of eleven percent in budget authority and ten percent in outlays over 1989 levels.

The functional total supports initial construction of the Superconducting Super Collider (SSC).

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes no policy changes from the CBO baseline levels in entitlements and other mandatory programs in this function.

OTHER RECOMMENDATIONS

The Committee believes that the Federal Government needs to improve its ability to make choices between competing science programs, as well as placing these choices within a larger public policy context. To this end, the Committee endorses the recommendations made by the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine in their report to the Budget Committees on improving the framework for setting federal civilian science budget priorities.

This framework, however, should include all federal R&D activities, not just civilian programs. The Academies' report pointed out that basic and applied research in the Defense Department are similar to civilian agency science and technology activities, but the bulk of what is now identified as defense R&D may not be comparable to other federal S&T activities. To follow up on last year's study, the Committee requests that the National Academy of Science, in conjunction with the National Academy of Engineering, and the Institute of Medicine extend their study to examine the appropriate classification of the R&D activities of the Department of Defense.

Function 270: ENERGY

SUMMARY

Function 270 covers the civilian energy programs. This includes energy supply, research and development as well as regulatory programs of the Department of Energy, credit programs of the Rural Electrification Administration, and activities of the Nuclear Regulatory Commission. The function also includes energy conservation programs.

Function 270 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	5.0	5.7	6.1	6.4
	O	5.2	5.2	5.2	5.4
Mandatory programs	BA	0.5	0.4	0.3	0.6
	O	−1.3	−1.0	−1.0	−0.8
(Reconciled savings)	BA		(−0.1)		
	O		(−0.1)		
Committee recommendation	BA	5.5	6.1	6.4	7.0
	O	3.9	4.2	4.2	4.6

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes funding for Uranium Enrichment activities sufficient to enable the enterprise to meet demand projections for 1990 without endangering other program and research and development objectives of the enrichment enterprise.

The Committee assumes that the Strategic Petroleum Reserve will be funded so as to maintain a 50,000 barrel per day fill rate for the reserve.

The Committee recommendation accommodates funding increases for certain energy conservation, geoscience and renewable resource programs.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes $50 million in reconciled savings in this function in 1990.

Other recommendations

The Committee recommendation could accommodate increased funding for energy conservation research, development and demonstration; conservation grants to state and local governments; alternative energy research and development; natural gas research and development; and basic science initiatives within the federal government's Global Change research program.

The Committee is concerned about global environmental problems and the nation's energy security. The Committee believes that expanded Function 270 programs, including energy efficiency and alternative energy research and development would help reduce environmental threats such as global warming, acid rain, and local air pollution. In addition, these programs could help enhance the nation's energy security. The Committee is also concerned about the rising level of oil imports, now above 40 percent of domestic consumption.

The Committee notes that energy efficiency funding has remained constant for three years and is concerned about the number of our major trading partners with growing investments in alternative energy technologies. These investments could threaten the U.S. technological lead.

The Committee notes an 80 percent reduction over the past eight years in renewable energy programs and recommends level funding for these activities in 1990. The Committee believes this funding would enable the Department of Energy to continue research and development programs for biofuels, photovoltaics, resource assessment, solar buildings, solar thermal and wind energy, and geosciences activities and could provide for the addition of other initiatives to promote the U.S. competitive position in this area.

The Committee supports the notion that funding for basic science initiatives to better understand the earth's global environmental systems is imperative. The coordinated federal program for Global Change research should be expanded to better understand the causes, mechanisms and implications of greenhouse gas buildup and global climate change.

Function 270 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	1.9	2.0	2.1	2.3
	LG	0.5			

DL—Direct Loan. LG—Loan Guarantee.

Function 300: NATURAL RESOURCES AND ENVIRONMENT

SUMMARY

Function 300 covers the natural resources and environment programs including a variety of Federal agencies concerned with the development and management of the Nation's water, mineral, timber, wildlife, fish, and other resources; management of national parks, forests, refuges, and other public lands; and protection of the environment.

Function 300 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	16.6	17.4	18.2	19.0
	0	16.8	17.3	18.3	18.9
Mandatory programs	BA	0.2	0.1	0.1	0.1
	0	–(*)	0.1	0.2	0.1
(Reconciled savings)	BA	....	(–*)	....	....
	0	....	(–*)	....	....
Committee recommendation	BA	16.8	17.5	18.3	19.1
	0	16.8	17.4	18.5	19.0

* Less than $50 million.

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recognizes the pressing need to increase the Nation's investment in environmental protection. The Committee recommendation assumes that the proposed funding for Function 300 will be sufficient to fully fund the President's request for Superfund and provides level funding for sewage treatment construction grants. It also could accommodate the President's request for other environmental protection programs, including Environmental Protection Agency operating programs, the leaking underground storage tank program, and abatement of asbestos in schools.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes $37 million in reconciled savings in this function in 1990.

Other recommendations

The Committee urges that funds appropriated for the Environmental Protection Agency include monies for grants to address non-point sources of surface and groundwater pollution, as provided for in Section 319 of the Water Quality Control Act Amendments of 1987.

Function 300 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	0.1	0.1	0.1	0.1
	LG	0.0	0.0	0.0	0.0

Function 350: AGRICULTURE

SUMMARY

Function 350 covers agriculture programs, including the commodity price support program, crop insurance, Farmers Home Administration agricultural loans, agricultural research, extension service, animal and plant health protection, and agricultural economic data collection and dissemination programs.

Function 350 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	2.4	2.6	2.8	2.9
	O	2.4	2.5	2.8	2.9
Mandatory programs	BA	21.2	15.6	17.8	18.4
	O	17.7	12.5	13.7	13.0
(Reconciled savings)	BA		(−1.1)		
	O		(−1.1)		
Committee recommendation	BA	23.6	18.3	20.6	21.3
	O	20.1	15.0	16.5	15.9

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes level funding for agricultural research and services and additional funding for a rural development initiative. This initiative is intended to increase the level of federal investment for basic rural economic development and infrastructure needs.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes $1.1 billion in reconciled savings in this function in 1990. This level includes the President's proposal to advance farm deficiency payments from 1990 into 1989.

Other recommendations

In the development of the rural development initiative the Committee urges that special attention be given to infrastructure needs experienced when small rural communities annex outlying areas with deficient tax bases.

Function 350 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	8.2	10.0	10.2	9.7
	LG	5.4	4.9	4.9	5.0

DL.—Direct Loan. LG.—Loan Guarantee.

Function 370: COMMERCE AND HOUSING CREDIT

SUMMARY

Function 370 covers commerce and housing credit programs, including: Farmers Home Administration (FmHA) rural housing programs; elderly and handicapped housing; Federal Housing Administration (FHA) mortgage insurance programs; the Small Business Administration; the Federal Savings and Loan Insurance Corporation (FSLIC); the United States Postal Service; and other programs involving the advancement of commerce.

Function 370 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	3.1	4.0	3.2	3.1
	0	3.3	4.4	3.4	3.5
Mandatory programs	BA	22.4	17.0	23.2	13.8
	0	20.4	13.7	14.4	8.9
(Reconciled savings)	BA		(−3.4)		
	0		(−1.8)		
Committee recommendation	BA	25.5	21.0	26.4	16.9
	0	23.7	18.1	17.9	12.4

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes that the Periodic Census be funded at a level sufficient to carry out the decennial census in 1990.

The Committee assumes an increase of $100 million above baseline for the rural housing programs of the Farmers Home Administration. Funding at this level would help reduce the major backlog of rural housing assistance requests in many States, including Tennessee and North Carolina.

The Committee assumes sufficient funds for additional staffing for Securities and Exchange Commission activities in pursuing enforcement and market regulation activities.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes $1.8 billion in reconciled outlay savings in this function in 1990.

The Committee recommendation assumes savings from CBO baseline attributable to the effects of moving the Postal Service off-budget, while instituting postal reform savings. The recommendation also incorporates the effects of the FSLIC rescue legislation.

Other recommendations

The funding levels specifically do not assume the imposition of user fees on federal secondary mortgage market entities.

Function 370 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	3.1	3.3	3.3	3.4
	LG	50.6	60.5	66.4	69.6

DL.—Direct Loans. LG.—Loan Guarantees.

Function 400: TRANSPORTATION

SUMMARY

Function 400 covers transportation programs including Federal-aid highways, mass transit programs, Amtrak, the FAA and its associated activities, airport development, the Coast Guard, and the Maritime Administration (MARAD).

Function 400 SPENDING PROJECTIONS

		1989	1990	1991	1992
Discretionary programs	BA	11.6	13.0	13.4	13.9
	0	27.7	28.7	29.7	30.8
Mandatory programs	BA	17.8	17.4	17.6	18.2
	0	0.4	0.4	0.3	0.4
(Reconciled savings)	BA		(−0.2)		
	0		(−0.2)		
Committee recommendation	BA	29.4	30.4	31.0	32.1
	0	28.1	29.1	30.0	31.2

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation provides for an increase in funding for the Federal Aviation Administration (FAA) in order to facilitate continued modernization of the air traffic control system and to enable the FAA to hire additional controllers, secruity personnel and aviation inspectors.

The Committee assumes that funding for the Coast Guard will be increased to allow enhanced drug interdiction activities as well as enable the Coast Guard to maintain its primary role in search and rescue operations, marine safety and other law enforcement activities. The funding level for the Coast Guard's Acquisition, Construction and Improvement account is assumed to be above the baseline level to accommodate capital improvements.

The Committee notes that a portion of the funding for Coast Guard Operations in the past has been provided in the form of transfers from the Department of Defense. If the Department of Defense concurs that such a transfer is appropriate, the Committee is hopeful that this may again take place in 1990.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes $180 million in reconciled savings in this function in 1990.

Other recommendations

The Committee's recommendation could accommodate funding for mass transit grants and Amtrak at 1989 levels. The Committee recognizes Amtrak's need for capital to acquire new rolling stock to meet long term needs and believes that efforts to address those needs through various financing arrangements should begin this year.

Function 400 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	+(*)	+(*)	0.1	0.1
	LG				

* Less than $50 million.

DL—Direct Loan. LG—Loan Guarantee.

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT

SUMMARY

Function 450 covers the community and regional development programs, including the Community Development Block Grant (CDBG), Appalachian Regional Commission (ARC), Economic Development Administration (EDA), Rural Development Insurance Fund programs, the Rural Telephone Bank, and Small Business Administration disaster loans.

Function 450 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	4.9	5.6	5.9	6.1
	0	5.6	5.6	5.8	5.9
Mandatory programs	BA	1.8	1.7	1.3	1.2
	0	0.6	1.0	1.1	1.0
(Reconciled savings)	BA				
	0		(−0.2)		
Committee recommendation	BA	6.7	7.3	7.2	7.3
	0	6.1	6.6	6.9	6.9

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes funding for the Community Development Block Grant program above the 1989 program level.

The resolution funding level assumes additional funds for the continued development of the highway programs of the Appalachian Regional Commission.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes $200 million in reconciled savings in this function in 1990.

Function 450 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	0.9	1.0	1.1	1.1
	LG	0.5	0.5	0.5	0.5

DL—Direct Loan. LG—Loan Guarantee.

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

SUMMARY

Function 500 programs promote the general extension of knowledge and skills, and assist individuals to become self-supporting members of society. These include: educational programs at all levels; employment and training; and grants to States to provide social and rehabilitative services to children, families, the elderly, and other needy persons. The function also includes services for handicapped persons.

Function 500 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	26.5	29.5	30.8	32.0
	0	26.7	28.3	30.8	32.2
Mandatory programs	BA	11.6	11.2	11.2	10.9
	0	9.9	10.4	10.4	10.2
(Reconciled savings)	BA		(−0.2)		
	0		(−0.1)		
Committee recommendations	BA	38.1	40.7	42.0	42.9
	0	36.6	38.7	41.2	42.4

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation provides for an increase of $3.0 billion in budget authority and $1.6 billion in outlays over 1989 in Function 500. This is a sufficient allocation for increases above baseline for several high-priority education programs, including Head Start, drug free schools, elementary, secondary, and post-secondary education programs aimed at disadvantaged students, teacher training, and historically black colleges and universities. Current services funding for the community services block grant, which provides many essential services to low-income families and individuals, is assumed.

The resolution also assumes funding for new initiatives for quality, affordable child care for working parents.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory Spending

The Committee recommendation assumes reconciled savings of $150 million in budget authority and $70 million in outlays in this function in 1990.

Function 500 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	+(*)	+(*)	+(*)	+(*)
	LG	12.5	12.9	13.4	13.7

* Less than $50 million.

DL—Direct Loan. LG—Loan Guarantee.

Function 550: HEALTH SERVICES AND RESEARCH

SUMMARY

Function 550 covers health programs other than Medicare and Veterans programs, including Medicaid, State grants for health services and prevention, biomedical research, Indian health, Federal retiree health benefits, health education and training, and consumer and occupational health and safety.

Function 550 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	14.3	15.2	15.9	16.5
	O	13.6	14.5	15.4	16.2
Mandatory programs	BA	36.7	42.2	47.0	52.5
	O	36.3	41.2	46.4	51.7
(Reconciled savings)	BA		(−0.1)		
	O		(−0.1)		
Committee recommendations	BA	51.0	57.4	62.9	69.0
	O	49.9	55.7	61.8	67.9

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes an increase in discretionary spending of $0.9 billion in budget authority and outlays above the 1989 level to accommodate increases above inflation for several high priority health programs, including maternal and child health, community health centers, infant mortality, childhood immunizations, the National Health Service Corps, mental health, AIDS, and other National Institutes of Health biomedical research.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes $0.1 billion in reconciled savings in this function in 1990.

Other recommendations

The Committee recommendation assumes that expansions of the Medicaid program to meet high priority needs of pregnant women, infants, children, low-income elderly, and the disabled will be made on a deficit-neutral basis, and provides for adjustment of the authorizing Committe allocation and budget resolution totals to accommodate such legislative action.

Function 550 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendations	DL	+(*)	+(*)	+(*)	+(*)
	LG	0.4	0.4	0.4	0.4

* Less than $50 million.

DL—Direct loan. LG—Loan guarantee.

Function 570: MEDICARE

SUMMARY

Function 570 covers Medicare, including Part A hospital insurance, Part B supplemental medical insurance, catastrophic health insurance benefits, premiums paid by aged and disabled beneficiaries, and discretionary program administratioin costs.

Function 570 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA				
	O	2.2	2.4	2.5	2.7
Mandatory programs	BA	107.2	122.4	134.8	148.1
	O	84.6	95.8	110.1	125.0
(Reconciled savings)	BA				
	O		(−2.7)		
Committee recommendations	BA	107.2	122.4	134.8	148.1
	O	86.8	98.2	112.6	127.7

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes an increase of $0.2 billion in outlays over 1989 levels for discretionary Medicare contractor and administrative activities.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation incorporates the agreement for $2.7 billion in reconciled Medicare program savings. This amount is approximately half the Medicare reductions originally proposed by the President. The Committee anticipates that protections will be provided for financially-strapped hospitals and that increases in beneficiary out-of-pocket expenses will be avoided.

Other recommendations

The Committee is very concerned that beneficiary access to high quality health care may be threatened by the fact that large numbers of the nation's hospitals are experiencing serious financial problems. Continued Medicare Part A budget reductions will further aggravate this situation by financially weakening more hospitals. The Committee, therefore, recommends that to the extent possible, Medicare program outlay reductions for 1990 should not be absorbed by hospitals. To the extent that Part A outlays are reduced, we believe that such reductions should not exceed reductions that would result from the extension of current law.

The Committee further assumes that the funding level for this function will accommodate legislation to provide assistance to isolated rural hospitals, and to begin the process of limiting the rural/urban differential in Medicare reimbursement.

The resolution funding level assumes increased funding for discretionary Medicare administrative expenses that will provide for a vigorous level of Medicare contractor activities. The increased funding will support additional claims processing and will safeguard program activities necessary to manage efficiently the projected substantial growth in Medicare claims and to comply with current statutory payment timeliness standards. Increased funding should also help provide for start-up funding for proper administration of the benefits associated with the new Medicare catastrophic coverage program.

Function 600: INCOME SECURITY

Summary

Function 600 provides food, cash and housing assistance to needy Americans and others who have experienced loss of income, especially families with children, the elderly, the disabled, federal retirees, and the unemployed. This function includes Aid to Families with Dependent Children (AFDC), Food Stamps, Women, Infant and Children Supplemental Feeding Program (WIC), Subsidized Housing, Civil Service and Military Retirement, and Unemployment Compensation.

Function 600 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	14.8	17.2	38.8	36.2
	O	22.0	23.9	25.4	27.2
Mandatory programs	BA	162.4	168.2	177.3	184.2
	O	115.2	121.7	130.0	137.1
(Reconciled savings)	BA				
	O				
Committee recommendation	BA	177.2	185.4	216.1	220.4
	O	137.2	145.6	155.4	164.3

Committee Recommendation

Discretionary spending

The Committee recommendation assumes that the Low-Income Home Energy Assistance Program (LIHEAP) is funded at the CBO current services level in 1990.

The Committee recommendation provides full funding of homeless programs under the McKinney Act of 1987, as amended.

The Committee-passed resolution includes $1.1 billion in budget authority and $50 million in outlays for the renewal of expiring subsidized housing contracts. These amounts are intended to allow Congress to renew the expiring contracts without predetermining the form or the duration of the new contracts. Most importantly, it is the Committee's understanding that the bipartisan budget agreement provides that the treatment of the expiring contracts in the 1990 agreement will be replicated in the 1991 and outyear budgets.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes full cost-of-living allowances (COLA's) for civil service, military and railroad retirees in 1990. Civil service retirees would be able to withdraw their lump-sum benefits in annual installments.

The resolution assumes $500 million in savings by reducing the size of the reserve fund used to pay for redeemed food stamp coupons. This change was recommended by the General Accounting Office and would have no impact on food stamp benefits, which are fully funded.

The Committee recommendation assumes current services funding for other mandatory and entitlement programs in this function including child nutrition, Nutrition Assistance for Puerto Rico, AFDC and Supplemental Security Income (SSI).

Other recommendations

The Supplemental Feeding Program for Women, Infant and Children (WIC) has strong bipartisan support in the Senate and is among the Committee's highest priorities. The Committee recognizes that WIC is one of the most cost-effective government programs serving the poor. Several recent reports support this conclusion.

The Committee notes with concern that the appropriated amounts for WIC the past two years were considerably lower than the funding levels provided for in the budget resolution. The Committee strongly believes that the WIC program should be funded at $150 million over the CBO baseline in 1990.

The Committee's recommended funding level would allow WIC to serve more than 270,000 additional poor women and children.

Function 600 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	+(*)	0.1	0.1	0.1
	LG				

DL—Direct Loan. LG—Loan Guarantee.
*Less than $50 million.

Function 650: SOCIAL SECURITY

SUMMARY

Function 650 provides income support to individuals when need arises from the retirement, disability, or death of a wage earner insured under the Social Security Program.

Function 650 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA				
	0	2.1	2.1	2.3	2.4
Mandatory programs	BA	288.9	317.0	345.3	374.2
	0	230.6	247.0	264.3	281.7
Committee recommendation	BA	288.9	317.0	345.3	374.2
	0	232.7	249.1	266.6	284.1

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes funds to maintain staffing levels in the Social Security Administration.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes full benefits and cost-of-living increases for all Social Security beneficiaries.

Function 700: VETERANS BENEFITS AND SERVICES

SUMMARY

Function 700 includes veterans compensation and pension payments, health services programs for veterans, housing loan guarantees, medical research and medical facility construction, education and training for veterans, and several other veterans benefits programs.

Function 700 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	12.2	13.0	13.6	14.2
	O	12.1	12.9	13.5	14.1
Mandatory programs	BA	17.5	17.6	18.1	18.5
	O	17.5	16.9	17.9	18.4
(Reconciled savings)	BA		(−0.7)		
	O		(−0.7)		
Committee recommendation	BA	29.7	30.6	31.7	32.7
	O	29.6	29.8	31.4	32.5

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes that discretionary programs are increased by $0.8 billion in budget authority and outlays above the 1989 level to allow for increases in high priority veterans programs such as medical care. This would allow for a medical care funding level $0.6 billion above the President's request.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes full COLAs for veterans pension and compensation programs, and full funding for all other veterans entitlement programs.

The Committee recommendation assumes $0.7 billion in reconciled savings in this function in 1990.

Function 700 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	0.9	0.8	0.7	0.7
	LG	20.6	21.0	21.9	22.9

DL—Direct Loan. LG—Loan Guarantee.

Function 750: ADMINISTRATION OF JUSTICE

SUMMARY

Function 750 includes funds for Federal law enforcement activities, anti-drug efforts, immigration programs, judicial and litigative programs, the Federal Prisons System, criminal justice assistance to States and localities, and legal services for the poor.

Function 750 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	9.6	10.7	11.2	11.7
	O	9.2	10.2	11.1	11.6
Mandatory programs	BA	−(*)	0.2	0.8	0.9
	O	−0.1	+(*)	0.8	0.9
Committee recommendation	BA	9.6	10.9	12.0	12.6
	O	9.1	10.2	11.9	12.5

* Less than $50 million.

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes increases for a variety of law enforcement programs including the FBI, the DEA, Organized Crime Drug Enforcement (OCDE) activities, the Immigration and Naturalization Service and the Customs Service. The recommendation also accommodates increases for the United States Courts, U.S. Marshals and U.S. Attorneys as part of the overall prosecutorial and Judiciary funding requests.

The Committee recommendation provides for construction of two additional Federal prison complexes, one new metropolitan detention center and increased capacity at nine existing institutions. The recommendation also assumes a slight increase for the Legal Services Corporation.

Overall, the Committee recommendation is sufficient to accommodate the President's increases for law enforcement and anti-drug programs as well as supporting funding increases provided in the recently enacted Anti-Drug Abuse Act of 1988.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes no policy changes from CBO baseline levels in entitlements and other mandatory programs in this function.

Function 800: GENERAL GOVERNMENT

SUMMARY

Function 800 includes funds for the legislative and executive branches of Government, the Treasury Department, the Internal Revenue Service, the General Services Administration, and various treaty obligations of the United States. Beginning in 1989, Function 800 also included accounts formerly found in Function 850 such as the District of Columbia and those land management activities that generate receipts to be shared with the States and localities.

Function 800 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	8.9	9.5	10.1	10.7
	O	8.8	9.4	10.0	10.1
Mandatory programs	BA	0.6	0.8	0.6	0.6
	O	0.4	0.6	0.5	0.6
Committee recommendation	BA	9.5	10.3	10.7	11.3
	O	9.2	10.0	10.5	10.7

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation provides for an increase in the Internal Revenue Service to accommodate a $500 million compliance initiative in accordance with the agreement.

The Committee recommendation would accommodate an increase in funding for the Japanese-American reparations fund substantially higher than the Administration's proposed level of $20 million for 1990.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Function 800 CREDIT PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	DL	0.1			
	LG				

DL—Direct loan. LG—Loan guarantee.

Function 900: NET INTEREST

SUMMARY

Function 900 includes three major activities: (1) interest payments on the public debt, including interest on securities sold to the public and to trust funds; (2) other interest payments and collections of the Federal Government; and (3) a deduction of the amount of interest received by both on-budget and social security trust funds.

Function 900 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Committee recommendation	BA	168.8	181.0	191.4	197.0
	O	168.8	181.0	191.4	197.0

COMMITTEE RECOMMENDATION

The Committee assumes that the deficit reduction policies of the budget resolution would achieve savings of $1.1 billion in interest paid on the national debt.

Function 920: ALLOWANCES

SUMMARY

Function 920 includes program savings and costs that involve funds that would otherwise appear in two or more of the other functions, including allowances for pay raises for employees of Federal agencies (except for those employed by the Department of Defense) and U.S. Coast Guard military personnel.

Function 920 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA	...	...	...	...
	O	...	...	...	...
Mandatory programs	BA	...	−0.1	−0.1	−0.1
	O	...	−1.2	−0.6	−0.6
(Reconciled savings)	BA	...	...	...	...
	O	...	(−1.1)	...	...
Committee recommendation	BA	...	−0.1	−0.1	−0.1
	O	...	−1.2	−0.6	−0.6

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes a pay raise of 3.6 per cent in January, 1990 for Federal civilian employees and U.S. Coast Guard military personnel, with the Federal agencies absorbing costs at the rate designated in the Gramm-Rudman-Hollings law. The costs of this pay raise are displayed in the functions in which the agency accounts are included.

Outyear estimates are projected from 1990 levels using CBO baseline economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes reconciled savings of $1.1 Billion in 1990 from federal pension lump-sum adjustments and postal reform. The Committee recommendation assumes no funds to support President Reagan's proposal for pay increases for

Federal judges, members of Congress and Senior executive branch employees. The CBO baseline included such funds but Congress subsequently rejected the proposal. Reconciliation of this change is unnecessary since Congress has already taken this action.

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

Summary

Function 950 covers the miscellaneous receipts programs, including rents and royalties on the Outer Continental Shelf (OCS), the employer share of Federal emplyee's retirement, including military retirement, and receipts from new Federal policies and the sale of assets.

Function 950 SPENDING PROJECTIONS

[In billions of dollars]

		1989	1990	1991	1992
Discretionary programs	BA				
	0				
Mandatory programs	BA	−36.8	−66.8	−84.4	−101.1
	0	−36.8	−72.5	−84.4	−101.1
(Adjustment for economic and technical assumptions).	BA	(−0.7)	(−28.8)	(−44.8)	(−59.7)
	0	(−0.7)	(−28.8)	(−44.8)	(−59.7)
(Reconciled savings)	BA		(−0.9)		
	0		(−6.6)		
Committee recommendation	BA	−36.8	−66.8	−84.4	−101.1
	0	−36.8	−72.5	−84.4	−101.1

Committee Recommendation

Mandatory spending

The Committee recommendation assumes $0.9 billion of reconciled savings for entitlement and mandatory programs and $5.7 billion of reconciled savings from asset sales. The recommendation assumes offsetting receipts for the employer share of retirement costs for Federal civilian and military personnel, consistent with a 3.6 percent pay raise in January, 1990. In addition, the Committee recommendation includes an adjustment to make the budget authority and outlay estimates in all functions consistent with OMB economic and technical assumptions.

Other recommendations

The Committee recommendation assumes that nothing in the budget agreement would prevent the Congress from enacting the full amount of REA refinancing.

MISCELLANEOUS PROVISIONS IN THE RESOLUTION

Asset Sales and Loan Prepayments.—The resolution includes a provision on asset sales identical to that in last year's budget resolution. That provision, in turn, was a combination of two provisions in the previous budget resolution. This section would prevent the use for spending in fiscal year 1990 of the proceeds from asset sales and loan prepayments. It does this by prohibiting the counting of asset sales for purposes of the allocations to committees under section 302 of the Congressional Budget Act. This provision is consistent with section 251(a)(6)(I) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended), which prohibits the counting of asset sales and loan prepayments for the purposes of determining whether that Act calls for across-the-board cuts.

Reserve Funds.—The resolution also includes reserve fund provisions for subsidized housing contract renewals, Medicaid funding, and IRS compliance funding that are very similar to those for the Welfare Reform and the Medicare Catastrophic Insurance Initiatives in the last two years' budget resolutions. The first provision fences budget authority and outlays for subsidized housing contract renewals until the appropriate committee reports the legislation. The second provides a reserve fund for a limited amount of Medicaid funding increases similar in form to the language for the Medicare Catastrophic Initiative in the last two years. Finally, a section provides another fence for IRS compliance funding, to protect that use of funds. Although the Budget Committee did not write provisions that govern the House of Representatives so as to accommodate the House's desire to write its own rules, the committee fully expects that provisions governing the House will be added to this section in conference.

CREDIT BUDGET

Budget authority and outlay totals in the budget provide an incomplete picture of Federal credit activity. They measure loan programs on a net cash flow basis—that is, outlays minus receipts. They do not measure the full volume of new credit extended for direct loans and exclude loan guarantee commitments.

The credit budget offers an alternative ways of measuring loan program activity. It records the total dollar amount of direct loan obligations and loan guarantee commitments, without offsets for repayments. It covers all Government credit programs, including those previously defined as off-budget.

The resolution includes aggregates and functional allocations for three types of Federal credit transactions: direct loans, primary loan guarantees, and secondary loan gurantees.

A direct loan (DL) is a disbursement of funds to a non-Federal entity under an agreement that the amount will be repaid, with or without interest. Direct loan obligations are recorded in the credit budget when the Government becomes legally bound to extend credit assistance. They result in outlays when funds are disbursed to borrowers.

A primary loan guarantee (LG) is a pledge to pay part or all of the amount due to a lender in the event of default by a borrower. Loan guarantee commitments are recorded in the credit budget when the Government becomes legally bound to extend credit assistance. They result in outlays only if borrowers default.

A secondary loan guarantee (SLG) is a commitment to guarantee a loan that has already been insured by the Federal Government, such as the guarantee of securities backed by federally insured mortgages. Secondary loan guarantees do not increase the contingent liability of the Government.

COMMITTEE RECOMMENDATION

Credit levels

The Committee recommendation for the credit budget assumes $19.3 billion in direct loan obligations, $106.6 billion in primary loan guarantee commitments and $93.2 billion in secondary loan guarantees. The following table summarizes the totals assumed in the resolution by function. Most credit programs are frozen at 1989 levels.

CREDIT SUMMARY TABLE 1990–93

[In billions of dollars]

		1990	1991	1992
150: International Affairs	DL[1]	2.0	2.1	2.2
	LG[2]	6.4	6.7	6.9
	SLG[3]	0.2	0.2	0.2
270: Energy	DL	2.0	2.1	2.3
	LG	0.0	0.0	0.0
300: Natural Resources and Environment	DL	0.1	0.1	0.1
	LG	0.0	0.0	0.0
350: Agriculture	DL	10.0	10.2	9.7
	LG	4.9	4.9	5.0
370: Commerce and Housing Credit	DL	3.3	3.3	3.4
	LG	60.5	66.4	69.6
	SLG	93.0	96.9	100.7
400: Transportation	DL	+(*)	+(*)	0.1
	LG	0.0	0.0	0.0
450: Community and Regional Development	DL	1.0	1.1	1.1
	LG	0.5	0.5	0.5
500: Education, Training, Employment, and Social Services	DL	+(*)	+(*)	+(*)
	LG	12.9	13.4	13.7
550: Health	DL	+(*)	+(*)	+(*)
	LG	0.4	0.4	0.4
600: Income Security	DL	0.1	0.1	0.1
	LG	0.0	0.0	0.0
700: Veterans Benefits and Services	DL	0.8	0.7	0.7
	LG	21.0	21.9	22.9
Total	DL	19.3	19.7	19.7
	LG	106.6	114.2	119.0
	SLG	93.2	97.1	100.9

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[1] Direct loans (DL).
[2] Loan guarantees (LG).
[3] Secondary loan guarantees (SLG).
(*) Less then $50 million.

Chapter IV. ENFORCEMENT PROCEDURES AND SCOREKEEPING

RECONCILIATION INSTRUCTIONS

Section 310(a) of the Budget Act provides for inclusion of reconciliation instructions in budget resolutions. In these instructions, Congress may direct committees to report out legislation by a certain date to reduce the deficit. Reconciliation instructions have been included in budget resolutions for every fiscal year since 1981 except 1985 and 1989.

The resolution for fiscal year 1990 includes instructions that direct that the committees of Congress take actions that would result in outlay savings of $8.9 billion in fiscal year 1990. Revenue increases in the reconciliation instructions total $5.3 billion in fiscal year 1990. The instructions call for increases in contributions totaling $5.7 billion in fiscal year 1990. These reconciliation instructions for contributions reflect the asset sales called for in the bipartisan budget agreement.

The instructions contained in this resolution direct Senate and House committees to transmit their recommendations by June 15, 1989. Under section 310(b), multi-committee reconciliation legislation is reported to the Budget Committees. The Budget Committees package the legislation without substantive revision.

Points of order that the Senate can waive only with the vote of 60 Senators prohibit floor amendments to the reconciliation bill that:

—would increase the deficit (except that motions to strike are always in order);

—are not germane;

—are extraneous to the reconciliation instructions; or

—change the old-age, survivors, and disability insurance program under title II of the Social Security Act.

RECONCILIATION IN COMMITTEE RECOMMENDATION BY SENATE COMMITTEE—1990

[Savings in millions of dollars]

Committee	1990
AGRICULTURE, NUTRITION AND FORESTRY:	
BA	−1,100
O	−1,020
Contributions	−2,850
BANKING, HOUSING, AND URBAN AFFAIRS:	
BA	0
O	−200
Contributions	−2,850
COMMERCE, SCIENCE, AND TRANSPORTATION:	
BA	−680
O	−680
ENVIRONMENT AND PUBLIC WORKS:	
BA	−487
O	−487
FINANCE:	
BA	0
O	−2,800
Revenue increases (—)	−5,300
GOVERNMENT AFFAIRS:	
BA	−3,400
O	−2,900
LABOR AND HUMAN RESOURCES:	
BA	−250
O	−170
VETERANS AFFAIRS:	
BA	−670
O	−670
TOTAL SPENDING INSTRUCTIONS:	
BA	−6,587
O	−8,927
Total contributions	−5,700
Total revenues	−5,300
Grand total, reconciled savings	−19,927

SPENDING AND CREDIT ALLOCATIONS

COMMITTEE ALLOCATIONS

Section 302(a)(2) of the Budget Act requires that the statement of the managers accompanying the conference report on the budget resolution allocate, based upon the budget resolution, the appropriate levels of total budget outlays, total new budget authority, and new credit authority among the congressional committees that have jurisdiction over legislation providing such authority. Section 301(e)(9) requires the Budget Committee's report accompanying the budget resolution to include those same allocations.

The Method for allocating the budget resolution totals this year parallels last year's. All permanent appropriations of budget authority or outlays are allocated to the committee that wrote the permanent law. All "current" appropriations—amounts to be provided by this year's appropriations bills—are allocated to the Appropriations Committee. Credit and entitlement authority are also allocated to committees. All amounts associated with an existing entitlement law are allocated to the authorizing committee that wrote the law. This is the case whether the entitlement is funded by permanent or current appropriations.

SECTION 302(b) SUBDIVISIONS BY COMMITTEES

Section 302(b) of the act provides that following adoption of the budget resolution conference report, each committee shall subdivide its section 302(a) allocation. The Appropriations Committee subdivides its amounts among its 13 subcommittees and further subdivides the amounts with respect to each subcommittee between controllable amounts and all other amounts. Every other committee to which an allocation is made also subdivides the allocation among its subcommittees or among programs over which it has jurisdiction, and further subdivides the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

SCOREKEEPING AND ENFORCEMENT

These subdivisions become official scorekeeping targets that the Senate uses (along with the budgetary aggregates and the maximum deficit amount set forth under Gramm-Rudman-Hollings) in measuring spending bills. For this reason, section 302(c) requires that each committee must file its 302(b) subdivision before it may bring spending or credit legislation to the floor. Once the committees have filed, section 302(f) prohibits consideration of any measure that, if enacted, would breach a committee's 302(b) allocation.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR 1990

[In millions of dollars]

Committees	Direct spending jurisdiction		Entitlements funded in annual appropriations	
	Budget authority	Outlays	Budget authority	Outlays
Appropriations	651,499	658,442		
Agriculture, Nutrition, and Forestry	12,776	10,686	18,874	18,978
Armed Services	46,882	32,778		
Banking, Housing, and Urban Affairs	8,036	1,213		
Commerce, Science, and Transportation	1,399	−424	404	402
Energy and Natural Resources	1,369	991	48	48
Environment and Public Works	14,641	420		
Finance	765,058	657,736	66,951	66,975
Foreign Relations	8,786	8,963		
Governmental Affairs	65,760	42,632		
Judiciary	2,321	2,224	162	159
Labor and Human Resources	3,125	2,723	5,595	5,670
Rules and Administration	40	9		
Veterans' Affairs	1,744	1,560	16,219	15,539
Select Indian Affairs	436	436		
Not allocated to committees	−256,472	−255,489		
Total	1,327,400	1,164,900	108,253	107,772

SENATE COMMITTEE CREDIT AUTHORITY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR 1990

[In millions of dollars]

Committees	Direct loans	Loan guarantees
Appropriations	8,722	68,006
Agriculture, Nutrition, and Forestry	9,001	4,279
Armed Services		
Banking, Housing, and Urban Affairs	515	19
Commerce, Science, and Transportation	2	0
Energy and Natural Resources		
Environment and Public Works	298	0
Finance		
Foreign Relations		
Governmental Affairs		
Judiciary		
Labor and Human Resources	0	13,325
Rules and Administration		
Small Business		
Veterans' Affairs	825	21,000
Select Indian Affairs		
Not allocated to committees		
Total	19,364	106,628

ECONOMIC ASSUMPTIONS AND SCOREKEEPING

The budget resolution must set forth amounts and levels based on a single set of economic and technical assumptions. In determining the budget deficit under its recommended budget resolution, the committee chose to use the same economic and technical assumptions as the President used in his budget submission to the Congress.

By choosing to use the administration's economic assumptions to measure the deficit, the Committee is following the same rules that will be used later this year to determine whether sequestration is required. Under the Gramm-Rudman-Hollings law, the Office of Management and Budget, using its own economic projections, will determine whether the 1990 deficit target has been met. If the deficit target is exceeded by more than $10 billion, across-the-board spending cuts will take place.

OMB ECONOMIC ASSUMPTIONS

[By calendar year, percent]

	1990	1991	1992	1993
Real GNP	3.2	3.3	3.2	3.2
Consumer Price Index	3.7	3.2	2.7	2.2
Three-Month Treasury Bill Rate	5.5	4.5	4.0	3.5
Ten-Year Treasury Bond Rate	7.2	6.0	5.0	4.5
Civilian Unemployment Rate	5.1	5.0	5.0	5.0

As has been its practice over the years, in the exercise of its scorekeeping duties, the Senate Budget Committee would continue to use CBO estimates and analysis to prepare its reports to the Senate regarding the status of particular bills and amendments. The committee would determine the aggregate levels of new budget authority, outlays, new spending authority, and revenues for a fiscal year on the basis of a standard adjustment to the CBO estimates consistent with the economic and technical assumptions underlying this budget resolution.

Chapter V: SUMMARY TABLES

COMMITTEE RECOMMENDATION BY FUNCTION

[In billions of dollars]

Function		1989	1990	1991	1992
050: National defense	BA	298.8	305.5	317.8	330.5
	O	296.7	299.2	311.0	322.1
150: International affairs	BA	16.4	18.3	18.6	19.7
	O	11.5	16.7	16.7	17.1
250: General science, space, and technology	BA	13.0	14.2	14.8	15.5
	O	12.7	14.0	14.8	15.1
270: Energy	BA	5.5	6.1	6.4	7.0
	O	3.9	4.2	4.2	4.6
300: Natural resources and environment	BA	16.8	17.5	18.3	19.1
	O	16.8	17.4	18.5	19.0
350: Agriculture	BA	23.6	18.3	20.6	21.3
	O	20.1	15.0	16.5	15.9
370: Commerce and housing credit	BA	25.5	21.0	26.4	16.9
	O	23.7	18.1	17.9	12.4
400: Transportation	BA	29.4	30.4	31.0	32.1
	O	28.1	29.1	30.0	31.2
450: Community and regional development	BA	6.7	7.3	7.2	7.3
	O	6.1	6.6	6.9	6.9
500: Education, training, employment, and social services	BA	38.1	40.7	42.0	42.9
	O	36.6	38.7	41.2	42.4
550: Health	BA	51.0	57.4	62.9	69.0
	O	49.9	55.7	61.8	67.9
570: Medicare	BA	107.2	122.4	134.8	148.1
	O	86.8	98.2	112.6	127.7
600: Income security	BA	177.2	185.4	216.1	220.4
	O	137.2	145.6	155.4	164.3
650: Social security	BA	288.9	317.0	345.3	374.2
	O	232.7	249.1	266.6	284.1

COMMITTEE RECOMMENDATION BY FUNCTION—Continued

[In billions of dollars]

Function		1989	1990	1991	1992
700: Veterans benefits and services	BA	29.7	30.6	31.7	32.7
	O	29.6	29.8	31.4	32.5
750: Administration of justice	BA	9.6	10.9	12.0	12.6
	O	9.1	10.2	11.9	12.5
800: General government	BA	9.5	10.3	10.7	11.3
	O	9.2	10.0	10.5	10.7
900: Net interest	BA	168.8	181.0	191.4	197.0
	O	168.8	181.0	191.4	197.0
920: Allowances	BA	0.0	−0.1	−0.1	−0.1
	O	0.0	−1.2	−0.6	−0.6
950: Undistributed offsetting receipts	BA	−36.8	−66.8	−84.4	−101.1
	O	−36.8	−72.5	−84.4	101.1
Total spending	BA	1,278.9	1,327.4	1,423.5	1,476.4
	O	1,142.8	1,164.9	1,234.3	1,281.7
Revenues		978.2	1,065.5	1,144.3	1,216.0
Deficit		−163.6	−99.4	−90.0	−65.7
Public debt					

OMB BUDGET TOTALS

[In billions of dollars]

	1990	1991	1992	1993	1994
OMB ASSUMPTIONS:					
Budget authority	1,327.4	1,423.5	1,476.4	1,534.6	1,591.5
Outlays	1,164.9	1,234.3	1,281.7	1,328.4	1,376.3
Revenues	1,065.5	1,144.3	1,216.0	1,285.5	1,349.1
Deficit	−99.4	−90.0	−65.7	−42.9	−27.2

The table above shows aggregates—revenues, budget authority, outlays, and deficits—for the budget resolution for both 1990 and for the outyears. Under current law, OMB will use its own economic and technical estimates to determine whether a sequester takes place in 1990. The table displays the aggregates using OMB economic and technical assumptions for 1990 and also for the outyears.

CBO REESTIMATE OF THE PRESIDENT'S 1990 BUDGET REQUEST

[In billions of dollars]

Function		1989	1990	1991	1992
050: National defense	BA	298.8	309.0	321.0	332.3
	O	296.7	303.9	312.5	320.6
150: International affairs	BA	16.4	18.9	18.2	18.4
	O	11.6	17.3	17.5	17.7
250: General science, space and technology	BA	13.0	15.5	17.4	18.9
	O	12.7	14.8	16.6	17.9
270: Energy	BA	5.5	4.0	4.3	4.6
	O	4.0	3.4	3.1	3.4
300: Natural resources and environment	BA	17.1	15.2	13.9	15.1
	O	16.8	16.5	15.4	17.4
350: Agriculture	BA	23.6	17.4	17.9	17.6
	O	20.1	14.4	14.2	12.5
370: Commerce and housing credit	BA	22.9	13.7	9.8	11.5
	O	30.6	28.8	22.4	7.6
400: Transportation	BA	29.4	28.9	28.8	29.1
	O	28.1	28.9	30.4	31.4
450: Community and regional development	BA	6.7	6.3	6.1	5.5
	O	6.1	6.3	6.5	6.7
500: Education, training, employment and social services	BA	38.2	37.9	37.8	37.6
	O	36.6	36.8	41.2	42.2
550: Health	BA	51.0	56.0	60.8	66.4
	O	49.9	54.2	59.9	65.5
570: Medicare	BA	107.1	123.1	135.0	146.6
	O	86.6	95.7	107.9	120.8
600: Income security	BA	177.2	182.9	200.0	205.7
	O	137.2	141.5	150.1	157.5
650: Social security	BA	288.9	317.0	345.2	374.1
	O	232.7	249.0	266.4	283.9
700: Veterans benefits and services	BA	29.7	30.0	31.1	31.8
	O	29.6	29.0	30.3	31.1
750: Administration of justice	BA	9.6	10.3	10.2	10.6
	O	9.1	10.2	10.3	10.7
800: General government	BA	9.7	10.1	10.3	9.8
	O	9.3	9.9	10.3	10.4

CBO REESTIMATE OF THE PRESIDENT'S 1990 BUDGET REQUEST—Continued

[In billions of dollars]

Function		1989	1990	1991	1992
900: Net interest	BA	168.7	181.0	190.1	193.5
	O	168.7	181.0	190.1	193.5
920: Allowances	BA	0.0	−0.3	−0.4	−0.4
	O	0.0	−0.3	−0.4	−0.4
950: Undistributed offsetting receipts	BA	−36.8	−38.2	−40.8	−40.1
	O	−36.8	−38.2	−40.8	−40.1
Total spending	BA	1,276.8	1,338.6	1,416.5	1,488.6
	O	1,149.7	1,203.1	1,263.9	1,310.3
Revenues	983.6	1,072.3	1,139.7	1,206.6	
Deficit	−166.1	−130.8	−124.2	−103.7	

Chapter VI. BIPARTISAN BUDGET AGREEMENT BETWEEN THE PRESIDENT AND THE JOINT LEADERSHIP OF CONGRESS

In March 1989, the President, the Speaker of the House, the Majority Leaders of the Senate and House, the Republican Leaders of the Senate and House, joined by the Chairmen and Ranking Republican Members of the Appropriations, Ways and Means, Finance, and Budget Committees, and by the Secretary of the Treasury, the Chief of Staff to the President, and the Director of the Office of Management and Budget, concurred in a recommendation to establish a special budget negotiating group. The group was charged to explore the possibility of reaching an agreement on a budget framework for fiscal year 1990, and to report upon its progress to the President and the Joint Leadership of Congress. The group was composed of the Chairmen and Ranking Republican Members of the Senate and House Budget Committees, the Majority Leader of the House, the Secretary of the Treasury, and the Director of the Office of Management and Budget. The following agreement is the product of the negotiating group, as developed in accordance with the guidance of the Leadership Group.

BIPARTISAN BUDGET AGREEMENT BETWEEN THE PRESIDENT AND THE JOINT LEADERSHIP OF CONGRESS

April 14, 1989

1. The elements of this agreement provide for deficit reduction amounts that, for fiscal year 1990, are currently estimated to meet the deficit target of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

2. The budget framework is approved by the President, the Speaker, and the Majority and Republican Leadership of Congress.

3. The President and the Leadership of Congress will carry out this agreement.

4. The following procedures will be utilized to implement this agreement: Congressional implementation will follow, as much as possible, the regular budget and legislative procedures. The House and Senate Budget Committees will each report a concurrent resolution on the budget for fiscal year 1990 consistent with this budget agreement. The budget resolution will contain reconciliation instructions and 302(a) allocations consistent

with this budget agreement. The House and Senate Committees with jurisdiction over matters necessary to implement the agreement will be responsible for developing 302(b) allocations, legislation, and budget levels consistent with this budget agreement. Regular House and Senate procedures applicable to the consideration of budget resolutions, appropriations bills, reconciliation legislation, and other measures will apply.

5. Congress shall present the revenue portion of the reconciliation bill to the President at the same time as the spending reduction provisions of the reconciliation bill.

6. Agreed-upon fiscal year 1990 budget levels are as follows for each of the three discretionary appropriations categories:

[In billions of dollars] [1]

Category	BA	O
Domestic	$157.5	$181.3
Defense (050) [2]	305.5	299.2
International affairs	19.0	17.0

[1] Congressional enforcement of these discretionary levels in the legislative process will be based on CBO scoring.

[2] Functional total includes mandatory spending.

7. The Budget Committees, CBO, and OMB shall use the "Scorekeeping Guidelines for the Bipartisan Budget Agreement of April 14, 1989," and shall work together to resolve any new scorekeeping issues that may arise.

8. Within the domestic discretionary amount, the budget resolution will provide sufficient funding for subsidized housing contract renewals (without prejudice to the form or length of such renewals).

9. Deficit reduction to be implemented in accordance with this agreement is specified in the attached "Deficit Reduction Plan." For both budget scorekeeping and Gramm-Rudman-Hollings, final scoring will necessarily depend on the review of legislation by the scorekeepers, as provided in the Congressional Budget Act and Gramm-Rudman-Hollings.

10. The specific measures composing the governmental receipts figures will be determined through the regular legislative and Constitutional process. Agreements reached between the administration and the congressional tax-writing commitees on revenue legislation reconciled pursuant to this agreement will be advanced legislatively when supported by the President of the United States.

11. Neither the Congress nor the President shall initiate supplementals except in the case of dire emergency. When the executive branch makes such a request, it shall be accompanied by a presidentially-transmitted budget amendment to Congress.

12. Both the President and the Congress have addressed the need for additional domestic discretionary spending priorities for the fiscal year 1990 budget. It is agreed that any funding of priorities will be within the domestic spending levels set forth in paragraph 6 of this agreement.

13. The President and the Congressional Leadership will continue to consult closely to seek opportunities for further deficit reduction and to explore policy and process changes which would reduce the deficit to meet the deficit targets of the Gramm-Rudman-Hollings law and balance the Federal budget by fiscal year 1993. In order to facilitate progress toward that objective, the bipartisan Budget Committee Leadership, the Secretary of the Treasury, and the Director of the Office of Management and Budget shall continue discussions in consultation with the bipartisan leaderships of the appropriate committees of the House and Senate.

DEFICIT REDUCTION PLAN [1]—FISCAL YEAR 1990

[In billions of dollars]

	CBO scoring	OMB scoring
BASELINE DEFICIT	147.3	126.6
Adjustment for estimating differences	−19.9	−3.5
ADJUSTED BASELINE DEFICIT	127.4	123.1
REVENUES:		
Revenue measures	−5.3	−5.3
IRS compliance [2]	−0.5	−0.5
User fees and offsetting collections	−2.7	−2.7
Subtotal, Revenues	−8.5	−8.5
SPENDING:		
Defense (Function 050)	−4.2	−1.7
International discretionary	−0.0	+0.1
Domestic discretionary	−0.3	+2.4
Entitlements/Mandatory:		
Medicare	−2.7	−2.7
Agriculture	−1.9	−2.2
Veterans' loan sales	−0.5	−0.6
Federal pension and postal reform	−1.1	−1.3
Other entitlements	−0.6	−0.5
Subtotal, entitlements/mandatory	−6.8	−7.3
Pay offset, retirement contributions	+0.4	+0.3
Adjustment: Postal budgetary treatment [3]	−1.8	−2.2
Debt Service	−1.1	−1.1
Subtotal, Spending	−13.8	−9.5
ASSET SALES	−5.7	−5.7
TOTAL DEFICIT REDUCTION MEASURES	−28.0	−23.7
FINAL DEFICIT	99.4	99.4

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[1] Estimates as of Apr. 14, 1989.

[2] Predicated on IRS compliance funding sufficient to achieve the additional revenues specified.

[3] Predicated on postal reforms.

BUDGET LEVELS—FISCAL YEAR 1990

[In billions of dollars]

	CBO estimates	OMB estimates
BUDGET AUTHORITY:		
Domestic discretionary	157.5	157.5
Defense (Function 050)	305.5	305.5
International discretionary	19.0	19.0
ESTIMATED OUTLAYS:		
Domestic discretionary	181.3	181.3
Defense (Function 050)	299.2	299.2
International discretionary	17.0	17.0
Entitlement/mandatory	556.4	539.7
Net interest	181.0	173.2
Offsetting retirement receipts	−32.8	−33.4
Fees, collections, and asset sales	−8.4	−8.4
Total estimated outlays	1,193.8	1,168.7
ESTIMATED RECEIPTS	1,074.4	1,065.7
Adjustment for estimating differences	−19.9	−3.5
Deficit	99.4	99.4

Chapter VII. VIEWS AND ESTIMATES OF SENATE COMMITTEES

Section 301(d) of the Congressional Budget Act calls on the committees of the Senate and House to report to their respective Budget Committees by February 25 of each year their views and estimates of budget requirements for matters within their jurisdiction to assist the Budget Committees in preparing the budget resolution.

Following is the letter sent by the Budget Committee to the other committees of the Senate requesting their views, together with the responses received.

JIM SASSER, TENNESSEE, CHAIRMAN

ERNEST F. HOLLINGS, SOUTH CAROLINA
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DONALD W. RIEGLE, JR., MICHIGAN
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CHRISTOPHER S. BOND, MISSOURI

JOHN L. HILLEY, STAFF DIRECTOR
G. WILLIAM HOAGLAND, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510–6100

February 1, 1989

The Honorable
Chairman
Committee on

United States Senate

Washington, DC 20510

Dear Mr. Chairman,

Each year the Budget Committee asks for your help in preparing a budget resolution for the consideration of the Senate. This year's budget process will be particularly important as national attention focuses on the Federal Government's fiscal situation. Meeting both national priorities and the Gramm-Rudman-Hollings targets will require a unified effort on all of our parts.

The first step in the process is to compile a menu of options for the Senate to consider. The Congressional Budget Act requires the Budget Committee to solicit "views and estimates" on spending levels from committees. This report is an important vehicle for your committee's participation in the budget process. It is only with your help early in the process that the Budget Committee can produce a budget plan that reflects the priorities of the Senate as a whole.

As in past years, we ask that your report include new initiatives and deficit reduction proposals. By including descriptions of new policy initiatives and areas for potential savings, you will make it possible for the Budget Committee to give your ideas the consideration and attention that they deserve.

As part of your report for this year, we hope that you will consider and respond to the budget proposals submitted by the new Administration. We expect that President Bush will submit his budget on or about February 9. To ensure that you have adequate time to review his proposals, we are delaying the deadline for your reports from the normal February 25 to March 8.

Attached are sample formats that are structured in two parts, accommodating both policy initiatives and deficit reduction proposals. Please consider both direct spending and credit programs as well as programs for which you handle authorization but not appropriations. We are, as always, interested in a five-year planning period, fiscal years 1990-1994; we continue to welcome comments, however, on the current year.

We have provided CBO baseline computer runs for the programs under your jurisdiction to your staff director. If you desire other materials or assistance, please call us. Please feel free to call on our staff if they can help you in any way with the task at hand.

We look forward to working with you and your committee as we work together to develop a Congressional Budget Resolution for 1990.

Sincerely,

Jim Sasser
Jim Sasser
Chairman

Pete V. Domenici
Pete V. Domenici
Ranking Republican Member

PATRICK J LEAHY VERMONT CHAIRMAN

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United States Senate
COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

March 8, 1988

The Honorable Jim Sasser
Chairman
Committee on the Budget
United States Senate
Washington D.C. 20510

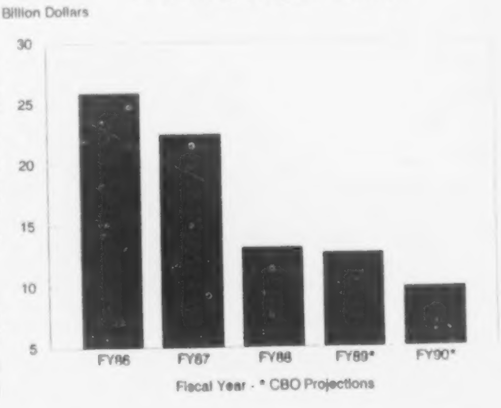
Dear Mr. Chairman:

This letter provides the views of the Senate Committee on Agriculture, Nutrition, and Forestry regarding the 1990 fiscal year budget cycle. These views are provided in response to section 301(d) of the Congressional Budget Act of 1974.

The letter is arranged by major program area and illustrates the broad range of the Committee's jurisdiction. While commodity programs are very high on the Committee's list of concerns, nutrition, rural development, conservation and forestry programs are also of major interest. The Committee is also very concerned with the development of technologies that will keep United States' agriculture competitive over the long haul, namely research, education and dissemination of information.

The Committee expects to begin debate on the 1990 farm bill during the current session of Congress. While it is doubtful that work will be completed during 1989, final action on the bill, perhaps before completion of the fiscal year 1991 budget cycle, will affect outlay levels in fiscal year 1991.

Commodity Program Outlays



Commodity Programs

The path of commodity program outlays over the life of the Food Security Act of 1985, with the projected level for fiscal year 1990, is displayed in the attached figure. Before providing the Committee's views for the upcoming budget cycle, it is important to review the recent history of commodity program spending.

Federal outlays for commodity programs did increase significantly in fiscal year 1986. From $17.68 billion in fiscal year 1985 to $25.84 billion in fiscal year 1986, outlays grew by more than 46%. Provisions built into the farm bill are now generating substantial reductions in costs. Outlays were designed to fall through cuts in producer support, controls on production and expanded export markets.

Fiscal year 1988 outlays fell from 1986 levels by nearly 50%. Without question, much of the reduction in outlays for the current and future fiscal years is due to the drought of 1988. But we should not loose sight of the fundamental fact: since fiscal year 1986, agriculture on a percentage basis, has already contributed more to overall deficit reduction than any other function of the budget. Late in 1987, Congress operating in conjunction with the past administration, developed a leadership package to reduce the deficit. In that package, agriculture contributed more than $2.5 billion in savings in fiscal years 1988 and 1989. Further, the same package cut more than $330 million from fiscal year 1990 outlays - a factor the Committee feels should be considered when developing the fiscal year 1990 package.

Reductions in outlays under the Food Security Act of 1985 continue. This includes funds provided by the Disaster Assistance Act of 1988. The Congressional Budget Office projects declines of nearly 23% or $2.9 billion in fiscal year 1990 compared to fiscal year 1989 outlays. Should CBO's projections come true, spending on agricultural programs will have fallen more than 62% from fiscal year 1986 levels. Clearly, commodity program spending has made great strides in meeting the long-term goal of deficit reduction.

The Committee feels that the reduction in outlays that have occurred over the past four years should be foremost in the Budget Committee's considerations as they develop the fiscal year 1990 budget plan.

There are three other critical features regarding commodity program outlays the Committee feels should also be included in budget considerations this year.

For the first time in many years, agriculture is a key factor in the negotiations on the General Agreement on Tariffs and Trade. The United States has taken a tough position in these negotiations in an effort to reduce world-wide trade distorting subsidies. Substantial budget cuts at this point in the negotiations limit the ability of the U.S. to negotiate from a position of strength. Once negotiations are completed, modifications to U.S. farm policy can be done on a fast-track procedure. Unilateral cuts in certain aspects of the commodity programs simply do not make sense during these multilateral trade negotiations. Distortions in trade and lack of market access for our agricultural products severely limit our producers' ability to export. We need to continue to work to reduce these barriers to our goods.

Second, the recovery in the agricultural sector continues, but comes on the heels of several years of decline. Reductions in government payments, with no other change in policy, translate almost dollar for dollar into reductions in farm income. Draconian cuts after the already substantial decline in outlays on agriculture and the 1988 drought could severely damage the recovery. Reversing the recovery at this time would also increase the potential budget exposure through the Agricultural Credit Act of 1987. While outlays through that program have been less than originally anticipated, returning to the farm financial stress of the early 1980's could increase spending requirements dramatically.

Third, as mentioned earlier, the Food Security Act of 1985 expires with the 1990 crop. The Committee will develop new legislation over the course of the next two years. We will craft policies with an eye toward budget exposure. The long-term policies we develop as a step in that process should not be clouded by large budget cuts in fiscal year 1990.

Rural Development

Rural development will be a top priority of our Committee this year. As compared to metropolitan counties, rural counties have dramatically higher unemployment rates (1,000 rural counties have rates in excess of 9%), per capita income 30% lower, poverty rates 35% higher, rural education and business activity is lagging. The Committee has been very pleased by President Bush's comments, "America's economic recovery will not be complete until rural America's economic recovery is complete."

To address these issues several Committees will be involved in a major bipartisan effort this year. These Committees will consider legislation to begin the revitalization of rural America which may involve additional first year funding of up to $500 million.

The Committee strongly feels the need to bring rural America back into the economic mainstream. The substantial reductions proposed in President Reagan's budget for rural housing, rural water and sewer efforts, rural community development, rural business assistance, Rural Electric Administration programs and other rural programs would be inconsistent with the rural development efforts of Congress.

Farm and Rural Credit Programs

The Committee has a number of major concerns with respect to President Bush's proposals regarding farm and rural credit programs. The increases proposed for loan guarantee fees, the quantum shift from direct to guaranteed loans and the substantial reduction in a number of useful loan or grant programs will strain commercial credit and limit the capital required to maintain a viable rural economy.

These cuts in direct loans and shifts to higher cost loan guarantee programs would affect not only the nations farmers, but rural communities as a whole. The Farmers Home Administration (FmHA) operates grant and loan programs to assist small towns and rural areas with safe water supplies and waste disposal facilities. Much of these grants are targeted on areas in great need because of inadequate rural community resources. Since the inception of the water and waste disposal program in 1937, 16,000 rural communities have be helped -- with minimal loan losses according to USDA.

The President's proposal calls for significant changes in FmHA assistance programs. Yet there is a backlog of eligible applicants for FmHA sewer and water loans equal to $1 billion. Safe drinking water and modern sewer systems are essential infrastructure components needed to revitalize rural America.

The proposed major decreases in the Agricultural Credit Insurance Fund is cause for concern among a number of members of the Committee. President Bush has again proposed a major shift toward loan guarantees and away from direct loans. But the combined total of Direct and Guaranteed loans for fiscal year 1990 are nearly $700 million less than the combined total for fiscal year 1989. This significant reduction in lending authority could impose hardships on farmers and rural Americans, many of whom are still recovering form last year's drought and the long decline in rural America's economy.

Nutrition Programs

Nutrition programs are a major concern to the Committee as a whole and to the Chairman and ranking minority member in particular.

The proposal by President Bush to fully fund all means-tested entitlement programs is applauded by the Committee. While it is unclear in President Bush's budget documentation how funding for state administration of these and other food assistance programs is to be handled, the Committee expects that these provisions will be adequately funded as well.

The Committee is concerned about the inclusion of other important domestic food assistance programs in the category of policies that would be subject to the Bush Administration's proposed broad outlay "flexible freeze". Out of this category of programs, $9.6 billion in savings are to be extracted.

One of these programs is the Women, Infants and Children (WIC) program. This program currently serves about half of those eligible. Yet Congress, in a bipartisan spirit, has provided funding in excess of current services estimates for WIC over the last few years.

Improving the nutritional health of needy pregnant women and infants who are at nutritional risk can greatly reduce medical problems and costs. President Bush noted the problems of infant mortality in the United States and pointed out that the average medical costs for a low birth weight baby can range from $14,000 to $33,000. We agree with President Bush that at least half of infant deaths are preventable and many other childhood disabilities are avoidable. WIC has dramatically reduced the incidence of low birth weight babies and infant mortality.

We also note that a series of blue ribbon panels of business leaders, health experts, and former Presidents of the United States, has recommended that expansion of WIC to serve those eligible should be one of our nation's highest priorities. Action must be taken to permit greater availability of the WIC program. The Committee is pleased that President Bush has identified WIC as one of his highest priorities for increased funding in fiscal year 1990.

Research and Extension

The focus of the Committee with regard to research and extension over the next two budget cycles will be in five major areas; streamlining the system, reinvestment and revitalization of the system, promoting research in low input, sustainable agricultural systems, biotechnology and new product development.

Specifically, the Committee is concerned with administration proposals to increase the ceiling for building new facilities, while at the same time providing minimal funding in plant genome research. The Committee is encouraged by the Reagan administration initiative on water quality, but feels that the program should include low input, sustainable agriculture as a major component.

We are also concerned about the proposed cuts in the Extension Service. The Extension Service should play an increasing role in diversifying American agriculture, rural development and in making rural America more competitive in world markets.

Conclusion

In conclusion, the Committee recognizes the long-term nature of agriculture and agricultural programs. Producers make investments in land and equipment that can last for years. The budget process, making program cuts on a year-to-year basis clearly does not lend itself to an industry of this type.

The Agriculture Committee made a long term commitment to reduced budget outlays in 1985. In 1985 the Committee passed, with broad support, the Food Security Act of 1985. That bill included annual reductions in support to producers that extended over five crop years and six fiscal years. The fact that those changes in support levels reduced program outlays by several billion dollars receives little acknowledgment in the budget process.

In the Committee's view, the drop in agricultural spending has already made a substantial contribution toward deficit reduction.

Sincerely,

Patrick Leahy

Richard G. Lugar
Ranking Minority Member

Patrick Leahy
Chairman

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United States Senate
COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510-6025

March 8, 1989

The Honorable Jim Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Chairman Sasser and Senator Domenici:

On behalf of the Committee on Appropriations, we submit herewith the views of the Committee on the first concurrent resolution on the budget, in compliance with section 301(d) of the Congressional Budget Act of 1974, as amended.

Sincerely,

Robert C. Byrd

Mark O. Hatfield
Ranking Minority Member

Robert C. Byrd
Chairman

Views *of the*

Committee on Appropriations
United States Senate

on the First
Concurrent Resolution
on the Budget

Fiscal Year 1990

101 *st* CONGRESS, FIRST SESSION

March 1989

[COMMITTEE PRINT]

S. Prt. 101–00

VIEWS

OF THE

Committee on Appropriations

United States Senate

ON THE

FIRST CONCURRENT RESOLUTION ON THE BUDGET

FISCAL YEAR 1990

MARCH 1989

U.S. GOVERNMENT PRINTING OFFICE
92-529 ⧫ WASHINGTON : 1989

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INTRODUCTION

This report sets forth the views of the Committee on Appropriations on the fiscal year 1990 budget, and is submitted to the Senate Budget Committee in accordance with section 301(d) of the Congressional Budget Act of 1974, as amended. The Committee notes that in lieu of the February 25 deadline set in the statute, the Senate Committee on the Budget has extended the deadline until March 8, 1989.

The additional time had been provided to allow committees to assess the effects of the Bush administration proposals that change the Reagan budget submission. The budget proposals of the Reagan administration were received on January 9, 1989. President Bush has indicated that he will submit budget amendments for his priorities, however none have yet been received. Consequently, the following details are based on the requests contained in the Reagan budget submission.

President Reagan's fiscal year 1990 budget totals $1,331,210,347,000 in budget authority and $1,151,847,861,000 in outlays. Of these amounts, total budget authority and outlays included in President Reagan's budget within this Committee's jurisdiction are $649,519,000,000 and $652,534,000,000, respectively.

The Congressional Budget Office [CBO] has estimated that the amount for outlays in the President's budget is understated by an amount of $4,961,000,000. The Committee notes that, of the amount of the President's proposal under the Committee's jurisdiction, an amount of $491,513,000,000 in budget authority is for programs considered discretionary. This includes defense ($315,105,000,000), international affairs ($19,407,000,000), and domestic discretionary ($157,001,000) programs. It should be noted that the domestic discretionary category represents only 11.8 percent of the total budget authority requested in President Reagan's budget.

Fiscal year 1990 spending estimates contained in this report are at best preliminary, and reflect the concerns of the 13 subcommittees. The President's budget was transmitted to the Congress on January 9, 1989, and most of the detailed justification material arrived in February. Consequently, the subcommittees have just begun the hearings designed to scrutinize the Reagan administration proposals within their respective jurisdictions. Formal budget amendments, pursuant to law, designed to modify the Reagan administration budget proposals have not yet been transmitted to the Congress by the Bush administration. Once these amendments are transmitted, it will be necessary for the Federal departments and agencies to modify their budget justification materials to conform with whatever Bush administration budget amendments may be transmitted to Congress. All this is causing, and will continue to cause, substantial delays in the processing of appropriations bills. Nevertheless, despite these difficulties, the Committee is determined to do all it can to assure timely processing of the 13 annual appropriations bills in cooperation with the Bush administration.

Another complicating factor is that President Reagan transmitted to the Congress six rescission proposals currently totaling $143,096,000 in budget authority, most of which are expected to be withdrawn by President Bush.

President Reagan has submitted $2,382,000,000 in 1989 supplemental requests. These are also under review by the Bush administration. A detailed account-level analysis must occur before this Committee can reach final recommendations on fiscal year 1989 supplemental requests, much less arrive at fiscal year 1990 funding levels.

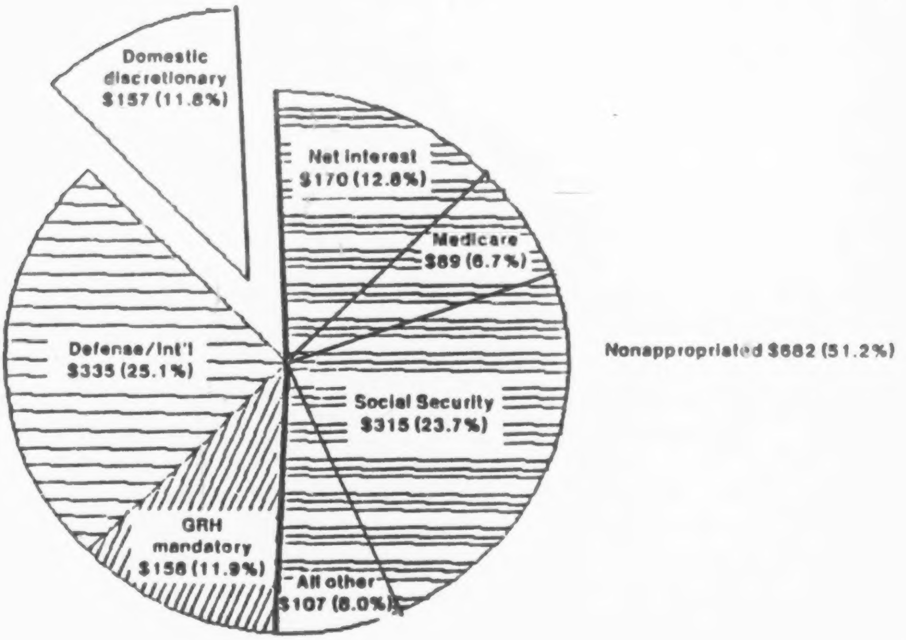
The Committee notes that the President's budget request, in many cases, is predicated on actions outside the control of the appropriations process, including changes in substantive law and administrative actions.

Confronted with the need to substantially reduce the Federal deficit, the Committee reiterates its continuing commitment to achieving the maximum level of budget savings possible.

The following table demonstrates the relative portion of the total budget attributable to domestic discretionary items that are controllable by the Committee on Appropriations.

Composition of the 1990 Budget

BUDGET AUTHORITY IN BILLIONS OF DOLLARS



	Dollars in billions	Percent of total
Total budget	1,331	100.0
Nonappropriations:		
Net interest	170	12.8
Medicare [1]	89	6.7
Social Security	315	23.7
All other	107	8.0

	Dollars in billions	Percent of total
Total, nonappropriations	682	51.2
Appropriations:		
Defense (050)	315	23.7
International affairs (150)	19	1.5
Domestic discretionary	157	11.8
Gramm-Rudman-Hollings	158	11.9
Total appropriations	650	48.8
Less Gramm-Rudman-Hollings	(158)	−11.9
Controllable portion	492	36.9

[1] An additional $36,000,000,000 is provided from Gramm-Rudman-Hollings mandatory appropriations.

The following table shows the portion of the President's request within the purview of the Committee. Comparable tables are included by subcommittee:

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	152,781	157,997	+5,217	5,626	146,923	152,549
Discretionary	467,058	491,513	+24,455	207,744	292,141	499,885
Subtotal	619,838	649,510	+29,672	213,370	439,064	652,434
Modifications to 1989:						
Supplementals	2,382		−2,382	144		144
Rescissions	−143		+143	−43		−43
Subtotal	2,239		−2,239	100		100
Total	622,077	649,510	+27,433	213,470	439,064	652,534

NOTE: In all tables, detail may not add to totals due to rounding.

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	28,807	24,728	−4,079	1,616	18,012	19,628
Discretionary	15,236	18,123	−2,887	2,557	7,588	10,145
Subtotal	44,043	42,851	−1,192	4,173	25,600	29,773
Modifications to 1989:						
Supplementals	....	....	....	....	....	....
Rescissions	....	....	....	....	....	....
Subtotal	....	....	....	....	....	....
Total	44,043	42,851	−1,192	4,173	25,600	29,773

OVERVIEW

The Agriculture, Rural Development, and Related Agencies Subcommittee provides funding for all agencies of the U.S. Department of Agriculture except the Forest Service. These programs include agricultural research and extension activities, a variety of conservation programs, farm income and commodity price support programs, a number of marketing and inspection activities, several domestic food programs, rural development and electrification, and the various export and international activities of USDA.

In addition, the subcommittee also provides funding for the Food and Drug Administration and the Commodity Futures Trading Commission, and establishes a limitation on the administrative expenses of the Farm Credit Administration and the Farm Credit System Assistance Board. It also provides money to the Department of the Treasury for payments to the Farm Credit System Financial Assistance Corporation.

CBO BASELINE

The 1990 CBO baseline for the subcommittee is $40,268,445,000 in budget authority and $31,924,867,000 in total outlays. Three mandatory programs deserve special mention. First, reimbursements to the Commodity Credit Corporation [CCC] of $4,800,000,000 in budget authority are not included in the baseline. Second, CBO assumes a level of $88,000,000 in both budget authority and outlays for payments to the Farm Credit System Financial Assistance Corporation. The President's request is for $123,000,000. Third, CBO estimates $18,100,000 in budget authority and $11,900,000 in new outlays for the Special Milk Program. The President's request is for $20,449,000 in budget authority and $13,609,000 in outlays.

For the Conservation Reserve Program, CBO estimates total outlays at $1,773,991,000. However, USDA estimates that $2,039,000,000 will be needed to enter the 40 million acres required by law—a difference of $265,009,000.

A small discrepancy exists in one discretionary program resulting from a technical error in the 1989 public law. The National Agricultural Library was shorted $1,000,000. Assuming this error will be corrected, an additional $1,000,000 in budget authority and outlays should be added to the baseline.

PRESIDENT'S BUDGET

The President's budget continues past attempts to reduce or eliminate conservation, rural housing, rural electrification, rural development, and special research programs and projects while proposing modest increases in a few select programs.

Overall, the President has requested $42,850,779,000 in budget authority and $29,772,802,000 in outlays. In order to make a proper comparison with the CBO baseline, one needs to subtract—from the President's request—the $4,800,000,000 in budget authority for CCC reimbursements.

Again, the Conservation Reserve Program needs to be highlighted. In order to comply with the law requiring the entrance of 40 million acres into the program, USDA estimates that $2,039,000,000 in outlays is needed. However, the President's request only contains $1,771,000,000—a difference of $268,000,000.

The President has now decided that the farm credit assistance fund should be on budget while it was not in 1989. The estimate is $810,000,000 in budget authority and $756,540,000 in outlays. These amounts are, correctly, not in the baseline for this subcommittee.

The President has proposed several pieces of legislation not under the Committee on Appropriations' jurisdiction, including user fees for several marketing and inspection programs, changes to conservation cost-share arrangements, asset sales in the Farmers Home Administration, guarantees of private sector money in the Rural Electrification Administration and changes in eligibility for certain food programs. However, the President's budget does reflect current law levels since the legislation has not been enacted.

An anomaly is the Food and Drug Administration where $100,000,000 in user fees is assumed in the budget without any proposed legislation. Since user fees have been prohibited in the past, an additional $100,000,000 over the President's request would be required.

PROGRAMS ELIMINATED/MAJOR CUT

The President has again eliminated $1,846,420,000 of direct and guaranteed loans for the Rural Electrification Administration, leaving only $125,000,000 in Rural Telephone Bank loans. The request also eliminates reimbursements to the rural electrification and telephone revolving fund and funding for the rural economic development subaccount. The 1989 level for these programs was $341,540,000.

For conservation programs, the budget request eliminates several, while cutting others, for a reduction of $277,410,000 from the 1989 level of $442,050,000.

In research and extension, the President proposes only $16,024,000 for special research grants and projects, while the 1989 level was $72,280,000. Special extension grants totaling $16,276,000 are eliminated, and the Expanded Food and Nutrition Education Program [EFNEP] is reduced to $21,600,000 from a 1989 level of $58,635,000.

The President has requested major cuts in the Farmers Home Administration [FmHA]. Once again, the $2,130,300,000 rural housing program is all but eliminated—leaving only $110,000,000. Direct farm loans are reduced from $1,222,156,000 to $700,000,000. And direct rural development loans are cut in half from $426,080,000 to $200,000,000. Rural development grant programs are cut from $168,639,000 to $105,250,000.

Finally, in nutrition programs, the President proposes to eliminate funding for distribution and storage costs of the Temporary Emergency Food Assistance Program [TEFAP] which had been funded at $50,000,000. The request also includes an $83,250,000 cut in nutrition assistance for Puerto Rico—funded at $908,250,000 in 1989 and authorized at $936,750,000 for 1990. This program has been treated as mandatory in the past.

MAJOR INCREASES

The budget request proposes a fourfold increase—$20,688,000—in hazardous waste management. This work is required by the Comprehensive Environmental Response, Compensation, and Liability Act and the Resource Conservation and Recovery Act. If the money is not appropriated, agencies will have to fund it out of regular program funds.

The President has also requested a new program for rural housing vouchers at $360,000,000 which would take the place of the housing loan programs slated for elimination.

A $323,000,000 increase in farm and rural development guaranteed loans is proposed which only partially offsets the decrease in direct loans mentioned above.

A 4.6-percent increase in the Child Nutrition and Food Stamps Programs is requested in order to maintain the level of benefits required by law. These are mandatory programs.

The President has highlighted several high priority areas for increases in research and extension. A 60-percent increase in competitive grants—or $23,826,000—is requested. Increases of $18,700,000 for water quality, $4,000,000 for global climate, and $17,709,000 for the 1890 land-grant institutions are included in the budget request.

FISCAL YEAR 1989 SUPPLEMENTALS AND RESCISSIONS

No rescissions and only one supplemental have been proposed by the President. It is anticipated that funding for the Agricultural Stabilization and Conservation Service will be short. However, rather than requesting a specific amount, the budget proposes that sufficient funding be made available to fund activities required by the 1988 drought disaster. Without such authority or additional funding, ASCS would have to shut down its county offices. Funding for this account has traditionally been transferred out of the CCC. USDA estimates the amount required to be between $40,000,000 and $60,000,000.

FISCAL YEAR 1990 CREDIT ESTIMATES

As mentioned earlier, the President proposes, if not the elimination, the drastic reduction of many loan programs. Direct loan reductions, in total, amount to $3,815,621,000. Guaranteed loan reductions total $610,075,000. In order to provide the 1989 loan levels, the President's request would need to be increased by these amounts.

Furthermore, the CBO baseline includes CBO's estimates of unused balances of $1,049,099,000 in direct loans and $3,392,800,000 in guaranteed loans. In order to provide current services, the budget request would need to be augmented by $4,035,273,000 in direct credit authority and $813,981,000 in guaranteed credit authority.

COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	222	222			222	222
Discretionary	15,071	17,215	+2,144	3,551	13,486	17,037
Subtotal	15,293	17,437	+2,144	3,551	13,708	17,259
Modifications to 1989:						
Supplementals	18		−18	6		6
Rescissions	−5		+5			
Subtotal	13		−13	6		6
Total	15,306	17,437	+2,131	3,557	13,708	17,265

OVERVIEW

The Subcommittee on Commerce, Justice, and State, the Judiciary and Related Agencies provides funding for the Departments of Commerce and Justice, as well as the diplomatic and consular functions of the Department of State. The subcommittee also provides funding for the judicial branch of the Government as well as funding for 24 related agencies ranging from the Christopher Columbus Quincentenary Jubilee Commission to the U.S. Information Agency.

As has been the usual case over the last 8 years, there is not much argument with what the President has requested for 1990; the argument is about what was eliminated from the budget. President Reagan requested a net increase of over $2,100,000,000 or 14 percent over the 1989 appropriations with major increases requested for taking the 1990 decennial census, expanding Federal drug law enforcement, paying in full our 1990 assessments to international organizations, and 10 percent of our arrearages to those organizations. In addition, the Judiciary requested an 18-percent increase due to the increased workload of the courts. The Attorney General has testified that President Bush is expected to request additional increases for the Department of Justice totaling $150,000,000 for State and local drug enforcement and prevention activities, an expansion of the Drug Enforcement Administration's operations abroad, and a $50,000,000 initiative relating to fraud in the savings and loan industry.

However, the Presidents' budgets also include program eliminations and reductions of approximately $1,000,000,000 for such programs as EDA; sea grant, coastal zone management, and a long list of other NOAA programs; tourism; public TV facilities; juvenile justice and delinquency prevention; legal services for the poor; and SBA general business direct loans as well as disaster loans. There is broad congressional support for these programs and several efforts to make these reductions and curtailments have been rejected by wide margins in the past.

DEPARTMENT OF COMMERCE

Highlights include:

—Elimination of the Economic Development Administration;

—A net increase of $841,863,000 in the Census Bureau, including $856,000,000 for the 1990 decennial census, but also to improve the quality and accuracy of business and economic statistics, a priority of President Bush. The increase for the decennial census is virtually mandated as it is a constitutional requirement.

—A net increase of $7,089,000 in the International Trade Administration, with $9,847,000 in program increases and a decrease of $5,795,000 associated with the elimination of trade adjustment assistance for firms. (Note: The 1989 amount was only sufficient to take the TAA program to the end of fiscal year 1989. It will take $16,000,000 to fully restore the program.);

—Transfer of the Minority Business Development Agency to the Small Business Administration, however, Secretary Mosbacher has indicated that the program will remain in Commerce;

—Elimination of the $13,800,000 in direct funding for the U.S. Travel and Tourism Administration, with future funding to come from a previously rejected $1 fee on international airline and cruise ship tickets. A portion of this income will be used as the Commerce Department share of funding for United States participation in the 1992 world exposition in Seville, Spain. Similar amounts will come from the State Department and USIA if matching amounts can be obtained from private sources;

—A net decrease of $232,309,000 for the National Oceanic and Atmospheric Administration, including program increases of $104,163,000 and program decreases of $335,199,000. The decreases include the elimination of sea grant, coastal zone management and substantial decreases for fisheries programs, as well as 130 weather stations. Program increases include climate and global change, weather service modernization, and a new program in ocean pollution assessments called coastal ocean science. President Bush places priority on NOAA's monitoring the effects of agricultural runoff on coastal and inland waterways. Proposed for later transmittal is $41,992,000 for various continuing marine science projects that are to be funded by a marine fishing user fee that has previously been rejected by the Congress;

—A net decrease of $5,312,000 for the National Institute of Standards and Technology (formerly National Bureau of Standards) that includes no additional funding for the new regional centers for transfer of manufacturing technology. In December, $4,500,000 from fiscal year 1988 funds was awarded to three centers to get the program underway and the Department expects the $7,500,000 appropriated in 1989 to carry the program through 1990. Funding is proposed to expand measurement research and improve process control and quality assurance for analytical chemical measurements, as well as polymer composites and computer security, but there is a reduction for the centers for fire research and building technology; and

—elimination of the telecommunications facilities grants for public radio and television.

DEPARTMENT OF JUSTICE

Highlights include:

—$20,000,000 to begin funding the civil liberties public education fund, from which $20,000 payments will be made to eligible Japanese individuals who were interned during World War II (authorized at $500,000,000);

—An increase of $102,000,000 is requested for the continued expansion of the Federal prison system. This increase will underwrite new prison construction at $360,000,000 in 1990 and provide for an additional 7,845 beds;

—An increase of $200,000,000 is requested for the operating expenses of the Federal prison system. This increase is almost mandatory as increased staffing is necessary to activate one Federal correctional institution, five surplus facilities, three prison camps, and expanded capacity at existing facilities;

—An increase of $84,600,000 is requested for the Drug Enforcement Administration. This 15-percent increase will be used to expand DEA's foreign suppression efforts, domestic enforcement, the intelligence program. An additional $5,000,000 is expected to be recommended by President Bush for operations in source countries.

—An increase of $61,500,000 is requested for the U.S. attorneys. This request will increase investigative and prosecutive efforts for the war on drugs, savings and loan crisis, and insider abuses on the commodities and securities markets;

—$214,921,000 for the organized crime drug enforcement [OCDE] task forces. Funds have been transferred from the individual agencies which participate in the OCDE program as required by the Anti-Drug Abuse Act. The amount includes funding for personnel assigned to work task force cases at both Justice (FBI, DEA, INS, U.S. attorneys, Marshals, Criminal, and Tax Divisions) and non-Justice Department agencies (Customs Service, BATF, IRS, and Coast Guard). Agencies will be reimbursed for their participation in the program. The actual Justice Department increase for this program is $16,400,000.

—A decrease of $28,900,000 and 1,398 positions is proposed for the Immigration and Naturalization Service, primarily in the border patrol. Adequate border patrol staffing has been a major priority of Congress;

—FBI program enhancements are offset by program decreases of $11,300,000 in the ADP and technical field support and equipment programs (within the new savings and loan initiative is $25,000,000 for the FBI);

—As noted earlier, President Bush is expected to request $150,000,000 for State and local drug enforcement and prevention activities not requested by President Reagan as authorized by the widely supported Anti-Drug Abuse Act of 1988, but funding for the juvenile justice, assistance to States for incarcerated Mariel Cubans, and the regional information sharing systems programs are again proposed for elimination. There is a request of $25,000,000 for the Public Safety Officers Benefits Program which the Committee believes should be scored as mandatory spending since the program operates as an entitlement.

DEPARTMENT OF STATE

Highlights include:

—Program increases of $177,800,000 in the basic salaries and expenses account include funds for an American exposition at the Seville World's Fair; completing the construction of the Foreign Service Institute; wage and price increases; increases for construction security in the Diplomatic Security Program for which projects are currently being deferred; counterterrorism R&D; and to support the 1990 economic summit;

—An increase of $108,079,000 for the Foreign Buildings Office, includes construction of a new chancery complex in Bangkok, Thailand; complete reconstruction of the chancery in Port Moresby, Papua, New Guinea; and for new security projects at overseas facilities occupied by AID, Commerce, and USIA; but there are no additional funds for replacement of the bugged Moscow Embassy;

—An increase of $228,987,000 (from $485,940,000 to $714,927,000) for contributions to international organizations (primarily the UN and its related agencies). All organizations will be funded at their assessed contribution level, and $45,916,000 is requested to initiate a 7-year effort to pay off the $572,000,000 in U.S. arrearages to international organizations;

—An increase of $82,184,000 for international peacekeeping activities in the Golan Heights [UNDOF], Lebanon [UNIFIL], Iran and Iraq [UNIIMOG], and Namibia [UNTAG]. UNIFIL is treated differently than other items in that the full 1990 assessment is not requested nor are there funds for United States arrearages.

THE JUDICIARY

The Judiciary request represents an 18-percent increase over 1989. The President is proposing a reduction of $203,312,000 in the Judiciary's budget to scale it back to a baseline level, an unusual intervention in the comity between the three branches of Government. This is surprising as the administration is expanding the front-end of the criminal justice system but seeks to limit the requirements of the Judiciary to cope with expanded workloads in drug cases as well as bankruptcies, et cetera.

RELATED AGENCIES

Highlights include:

—An increase of $128,279,000 for the Ready Reserve Force in the Maritime Administration (formerly this was classified as a Defense account but OMB has now classified it as domestic discretionary spending);

—An increase of $174,000,000 to complete the construction of the Israel Relay Station of the Board of International Broadcasting (which will also be used by the Voice of America) to broadcast into central Russia;

—An increase of $7,650,000 for the Commission on the Bicentennial;

—President Reagan reinstated his recommendation to eliminate funding for the Legal Services Corporation (–$308,555,000) and the Director of the Office of Management and Budget testified to the Committee on February 28, 1989, that this proposal is also part of President Bush's budget. As provided for by law, the Corporation has transmitted a budget request directly to the Congress which proposes a 1990 budget of $295,314,000;

—An increase of $26,067,000, for the Securities and Exchange Commission;

—A decrease of $88,583,000 for the Small Business Administration, primarily associated with the elimination of the direct loan and Small Business Development Center programs which Congress has rejected in the past; and

—An increase of $66,883,000 for the U.S.Information Agency, primarily to cover wage and price increases but including program reductions, particularly in the Voice of America. No funds are proposed for TV-Marti which the Committee initiated with a $7,500,000 earmark in 1989 and for which a bill was recently introduced to provide a $16,000,000 appropriations authorization in 1990.

FISCAL YEAR 1989 SUPPLEMENTALS AND RESCISSIONS

President Reagan's 1990 budget included the following in 1989 supplementals and rescissions under the jurisdiction of this subcommittee:

	Budget authority
DEPARTMENT OF COMMERCE	
ECONOMIC DEVELOPMENT ADMINISTRATION	
Economic development assistance programs—transfers funds for increased pay costs of Federal Communications Commission	–$1,431,000
Economic development revolving fund—transfers $19,200,000 in unobligated balances to NOAA's operation, research and facilities appropriation for future costs of polar-orbiting weather satellite program	(–19,200,000)
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	
Operations, research and facilities—provides additional $21,700,000 for polar-orbiting program of which $19,200,000 is to be derived by transfer from EDA. A budget authority increase of $2,500,000 is offset by an increase in Landsat receipts	2,500,000
DEPARTMENT OF JUSTICE	
LEGAL ACTIVITIES	
Salaries and expenses—provides funds for administrative expenses to implement Civil Liberties Act (Public Law 100–383) which provides $20,000 to Japanese Americans interned during World War II (Note: Offset by reduction in Justice Assistance)	2,100,000
OFFICE OF JUSTICE PROGRAMS	
Justice assistance—provides for increase from $50,000 to $100,000 in lump sum benefits and public safety officers killed in line of duty as authorized by Public Law 100–690. (Note: offset by reduction in justice assistance.)	2,900,000
Justice assistance—rescinds $5,000,000 appropriated in Commerce, Justice, State, the Judiciary Appropriations Act, 1989 for expenses of States holding incarcerated Muriel Cubans who were paroled into the United States by Attorney General. Currently 36 States are awarded funds from this program (Note: In addition, the Department has indicated that there will be supplemental requests for savings and loan fraud.)	–5,000,000
DEPARTMENT OF STATE	
GENERAL PROVISIONS	
Adds section 302 authorizing not to exceed $125,000,000 from funds available to the Department of Defense and for foreign assistance to be transferred to Department of State, contributions to international peacekeeping to pay for new peacekeeping activities in Afghanistan, the Persian Gulf, southern Africa (Angola and Naimbia), and other areas of conflict. The congressional budget advises that this proposal will generate an additional $107,000,000 in outlays in 1989 and is not deficit neutral	(125,000,000)

THE JUDICIARY [1]

Courts of Appeals, District Courts, and other Judicial Services: Salaries and Expenses—provides funding for the salaries of seven new bankruptcy judgeships in Alaska, Colorado, Kansas, Kentucky, east and west Texas, and Arizona authorized by Public Law 100–587. At a hearing on March 2, 1989, the Judiciary advised that this request will be withdrawn	7,880,000
Fees of jurors and commissioners—provides for 1989 requirements for payments of the fees of jurors and commissioners not previously funded	2,465,000
Court security—provides for the minimum level of funding required for judicial security on 1989 and for security of seven new bankruptcy judgeships	1,080,000
Payment to the judicial officers' retirement fund—provides funds necessary to pay the retirement annuities of bankruptcy judges and magistrates authorized by Public Law 100–659	4,000,000

RELATED AGENCIES

MARITIME ADMINISTRATION

Federal ship financing fund—repays Treasury 1987 and 1988 borrowings to meet defaults a U.S. Government loan guarantees	

COMMISSION ON CIVIL RIGHTS

Proposes deletion of limitations on Commission activities included in the fiscal 1989 appendix	

FEDERAL COMMUNICATIONS COMMISSION

Salaries and expenses—provides additional $1,431,000 to avoid employee furloughs by transfer from economic development assistance programs	1,431,000

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[1] In addition, the Committee has been advised that the Judiciary will be submitting additional supplementals amounting to $18,630,000 to carry out the sentencing guidelines.

FISCAL YEAR 1990 CREDIT ESTIMATES

The President again proposes the elimination of loans guaranteed by the Economic Development Administration that Congress has maintained at the $150,000,000 level for several years.

It is also again proposed to make no new commitments to guarantee loans from the Federal ship financing fund by both the National Oceanic and Atmospheric Administration and the Maritime Administration. The Committee believes that this is a matter to be decided by the authorizing committee.

The budget includes a proposal for later transmittal to transfer $700,000 in loans from the State Department's "Emergencies in the Diplomatic and Consular Service" appropriation to the Department of the Treasury. The Committee will review the impact of this proposal with the Committee on Foreign Relations.

Finally, the budget proposes the elimination of the general business direct loan program of the Small Business Administration as well as the termination of the disaster loan fund. While the Committee has worked with the administration in reducing the direct loan program, it has found wide support for the current level. The Committee does not believe that the disaster loan fund can be eliminated as there is no moratorium on national disasters and something needs to be available to assist our citizens overwhelmed by catastrophic tornadoes, floods, hurricanes, et cetera.

DEFENSE

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	145	155	+10		155	155
Discretionary	281,982	297,558	+15,577	104,369	181,404	285,773
Subtotal	282,126	297,713	+15,587	104,369	181,559	285,928
Modifications to 1989:						
Supplementals						
Rescissions						
Subtotal						
Total	282,126	297,713	+15,587	104,369	181,559	285,928

OVERVIEW

The jurisdiction of the Defense Subcommittee includes all spending for the Defense Department except for amounts for military construction and family housing programs. The subcommittee also provides funding for the Central Intelligence Agency retirement and disability fund and support for the intelligence community staff.

FISCAL YEAR 1990 BUDGET ESTIMATES

The fiscal year 1990 request submitted by President Reagan for appropriations under the jurisdiction of the Defense Subcommittee totaled $297,713,000,000. Associated outlays as estimated by the Office of Management and Budget [OMB] are $285,928,000,000. The Congressional Budget Office [CBO], however, estimates the associated outlays will total $289,548,000,000. The budget authority increase, as proposed in the Reagan budget, would represent a real growth of 2 percent.

President Bush has informed the Congress he intends to submit a budget amendment reducing the request for defense spending to zero real growth. It is estimated the amount for the Subcommittee on Defense Appropriations will be about $291,600,000,000 in budget authority, with outlays of $283,400,000,000, as calculated by OMB.

Based on preliminary data from OMB, the planned amendments to revise the budget estimates to zero growth roughly equate to the CBO baseline totals for budget authority. This represents a reduction of $6,100,000,000 in budget authority from the budget level submitted by President Reagan.

Absent a change in CBO scoring procedures, however, it appears likely that CBO will again differ with OMB on the outlay estimates. Commensurate with the $6,100,000,000 budget authority reduction, OMB estimates a $2,500,000,000 outlay decrease for a revised estimate of approximately

$283,400,000,000. While there may be no disagreement as to the amendment scoring, we remain concerned that the $3,500,000,000 outlay difference between CBO and OMB estimates will continue. If so, the CBO outlay estimate for the zero growth request will be $287,000,000,000.

In order to assess the impact of any proposed allocation level, the disagreement between the CBO and OMB outlay estimates must be reconciled.

Since fiscal year 1985, the amounts appropriated for national defense have been less than the amounts required to cover inflation every year. Consequently, real defense purchasing power has declined by about 8 percent. The budget amendment to be submitted will allow defense funding to be maintained at the fiscal year 1989 level with adjustments only for inflation. It follows, therefore, that additional reductions would once again force down defense purchasing power.

The budget authority/outlay mix.—The Appropriations Committee is very concerned that any adjustments in requests for defense funding (or in the allocation of funds for defense spending in the budget process) reflect an appropriate mix of budget authority and outlays. Because the deficit is measured in terms of outlays, the emphasis in past budget resolutions has been to understate the outlay allocation corresponding to unrealistically higher total budget authority levels. This mismatch has forced the Appropriations Committee to constrain first year outlays, often through a distortion of spending for preferred programs. Concurrently, the propensity has been to fund slower spending programs at the higher budget authority levels in order to comply with the budget resolution targets.

While this might have allowed budget authority and outlay mismatches to be masked, it has had an adverse impact on long-term deficit reduction. This is true, quite simply, because slow-spending budget authority generates large outlays in future years. Considering that the deficit targets in fiscal years 1991 and 1992 will be even more difficult to attain, such short-term approaches will be even more problematic for the future.

The $3,600,000,000 difference in outlay estimating between the Office of Management and Budget and the Congressional Budget Office is a significant concern. If the Senate Committee on the Budget endorses the $283,400,000,000 outlay level proposed by OMB, while at the same time accepting the scoring practices of CBO (which produce an estimate of $287,000,000,000 in outlays), the Appropriations Committee would be compelled to make sharp reductions in budget authority below resolution targets in order to remain within allowances for outlays. A cut of $3,600,000,000 in outlays—just to meet the differences in scoring—could mean a reduction of up to $10,000,000,000 in budget authority. Such a reduction would cause either large force structure adjustments and the associated military end strength cuts, or large cuts in readiness and investment programs.

Consequences of an outlay freeze.—Freezing outlays at the fiscal year 1989 level would have even harsher impact on defense, because of the large carry over of prior year outlays. Approximately one-third of projected fiscal year 1990 defense outlays are related to spending authority appropriated in prior years.

Moreover, because of the effect of inflation, a freeze at last year's level would, itself, cause a significant readjustment of defense spending programs. The CBO baseline (that is, fiscal year 1989 appropriations plus inflation) includes an increase of $7,000,000,000 in outlays for national defense. Reducing outlays by $7,000,000,000 would force a complete reappraisal of the President's defense request. It is not unlikely that a commensurate cut in budget authority to meet the outlay figure would exceed $25,000,000,000.

Conclusions.—From the foregoing discussion, it should be clear that the Committee on Appropriations will have to make reductions of—at a minimum—$6,500,000,000 in budget authority from the Reagan budget request for Defense Department programs. The amount of the reduction may, of necessity, be enlarged if the Committee must again accommodate to the provision of an unrealistic mix of budget authority and outlays in the budget resolution. Finally, it must be recognized by all that the foregoing discussion has addressed only the budget proposals submitted by the administration. The Committee will undoubtedly face the necessity of making offsets to the President's budget in order to provide sufficient resources to meet unbudgeted congressional priorities. In recent years, funding for these priorities has been on the order of $3,000,000,000 to $4,000,000,000 annually.

DISTRICT OF COLUMBIA

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory						
Discretionary	557	498	–59	22	498	520
Subtotal	557	498	–59	22	498	520
Modifications to 1989:						
Supplementals						
Rescissions						
Subtotal						
Total	557	498	–59	22	498	520

OVERVIEW

The subcommittee is responsible for all aspects of the budget providing for the operations of the Nation's Capital. The budget includes amounts for the public school system, the courts of the District of Columbia, the District Council, and the various executive agencies of the District government.

The budget also includes various enterprise funds which support such processes as the water and sewers, Convention Center operations, Lottery Board programs, and the Housing Finance Agency. In addition, the District supports its capital borrowing needs through the issuance of debt securities in the municipal bond market.

The District's budget is made up to two components. Federal funds appropriated to the District, a general Federal payment in lieu of taxes, and various specialized amounts for particular purposes or services, as described below. The second, and largest, source of revenue to the District are local tax revenues.

FISCAL YEAR 1990 BUDGET ESTIMATES

President Reagan, in his budget message of January 9, 1989, requested Federal funds totaling $497,570,000. This amount is $39,340,000 below the sum enacted in the fiscal year 1989 District of Columbia Appropriations Act. When $20,000,000 appropriated in prior appropriations measures for the design and construction of a prison in the District of Columbia is included the request represents a reduction of $59,000,000 in Federal funds available to the District. To date, no change has been proposed by President Bush.

The 1990 estimate includes $430,500,000 for the Federal payment; zero for the water and sewer services provided to the Federal Government; $52,070,000 in retirement funds contributions; and $15,000,000 for transitional financing for St. Elizabeths Hospital.

As noted above, the President, for the third consecutive year, has requested no funds for the water and sewer payment as required under the authority of the District of Columbia Public Works Act of 1954, as amended. This payment is required as a lump sum to be paid annually to the District of Columbia. President Reagan has proposed that the District government bill the various agencies for these services, however, the General Accounting Office has stated that the District has no authority to bill individual agencies or to accept payment from them.

The Mayor estimates that water and sewer services to the Federal Government will total $34,740,000 in fiscal year 1990. This amount will have to be provided for in the District of Columbia Appropriations Act for 1990.

The amount requested for the Federal payment remains at the fiscal year 1988 level, and $14,000,000 below the fiscal year 1987 appropriation level. Based on a May 1988 GAO report on alternative Federal payment calculations, if a cost-of-living formula were applied to the District's Federal payment it would total $555,000,000 in fiscal year 1990. The Committee notes that the District has run a small deficit in fiscal year 1988 and has encountered budget difficulty in the current year. Some effort may be expected to increase the Federal payment in 1990.

The estimated outlays include $22,000,000 from prior year appropriations for the design and construction of a prison in the District of Columbia.

ENERGY AND WATER DEVELOPMENT

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	−1,276	−1,445	−169	....	−1,445	−1,445
Discretionary	17,832	19,731	+1,899	6,317	12,939	19,256
Subtotal	16,556	18,286	+1,730	6,317	11,494	17,811
Modifications to 1989:						
Supplementals	....	....	....	....	....	....
Rescissions	....	....	....	....	....	....
Subtotal	....	....	....	....	....	....
Total	16,556	18,286	+1,730	6,317	11,494	17,811

OVERVIEW

The Subcommittee on Energy and Water has jurisdiction for appropriation of funds for fiscal year 1990 for the U.S. Army Corps of Engineers Civil Works Program; the Department of the Interior, Bureau of Reclamation water resource development activities; the Department of Energy (except for fossil energy, energy conservation and certain regulatory activities), its energy supply research and development activities including solar and renewables, nuclear fission, magnetic fusion and the basic and general sciences and technology programs, including the national scientific laboratories; the Atomic Energy Defense Activities, including nuclear weapons research, development, testing and production; the production of special nuclear materials and the disposal of defense nuclear wastes; and the environmental restoration, cleanup and modernization of the entire nuclear defense complex; the Civilian Nuclear Waste Disposal Program; and related independent agencies and commissions including the Appalachian Regional Commission, the Nuclear Regulatory Commission, the Tennessee Valley Authority, and several small river basin commissions.

SUMMARY OF BUDGET REQUEST UNDER CONSIDERATION

[Budget authority in millions of dollars]

Agency	Fiscal year 1989 enacted	Fiscal year 1990 request	Change
Corps of Engineers	3,236	3,163	−73
Bureau of Reclamation	994	979	−15
Department of Energy	13,156	15,021	+1,865
Independent Agencies	446	568	+122

SUMMARY OF BUDGET REQUEST UNDER CONSIDERATION—Continued

[Budget authority in millions of dollars]

Agency	Fiscal year 1989 enacted	Fiscal year 1990 request	Change
Total	17,832	19,731	+1,899

FISCAL YEAR 1990 BUDGET ESTIMATES

The Fiscal Year 1989 Energy and Water Development Appropriations Act provided $17,831,995,000 for programs and activities under the subcommittee's jurisdiction. The fiscal year 1990 request of $19,730,673,000 is an increase of 10.6 percent over the fiscal year 1989 level. Although there are the usual increases and decreases throughout the budget, several significant ones stand out.

The atomic energy defense activities request is $9,027,000,000, an increase of $927,000,000 or 11.4 percent over the fiscal year 1989 level; uranium supply enrichment activities increase by $312,000,000, but fully offset by expected revenues; the general science and research activities, including funding to begin the construction of the Superconducting Super Collider, increases by about $250,000,000; the Civilian Nuclear Waste Disposal Program increases by $130,000,000. Most of these increases are for programs identified as priorities of the Bush administration.

The proposed budget for solar and renewable energy research programs decrease from $92,174,000 to $71,156,000, a 23-percent reduction below fiscal year 1989. In addition, the budget again proposes to terminate the Appalachian Regional Commission even though the Congress has provided between $100,000,000 to $110,000,000 for the last several years. The programs of the Tennessee Valley Authority have been reduced by 15 percent from $103,000,000 to $87,600,000.

It should be pointed out that $358,000,000 of the total increase shown for the bill (fiscal year 1990 over fiscal year 1989 enacted) is not a real increase but is due to the estimated revenue/receipts of $116,500,000 for the Federal Energy Regulatory Commission and $241,100,000 for the Nuclear Regulatory Commission. The receipts for fiscal year 1989 were carried as negative budget authority but for fiscal year 1990 the subcommittee is using the gross appropriation request, thus these amounts are not real increases in fiscal year 1990 over fiscal year 1989 enacted. The scoring of these receipts in the past has created severe confusion and problems in the formulation of the annual appropriations bill. The functions of these agencies would be drastically affected if the Committee only appropriated that portion financed by general funds instead of the full budget authority needed to carry on the work of the agencies.

In addition to these major increases and decreases in the budget, the following comments concern potential additional increases and/or budgetary problems in five major areas identified to date which the Committee can be expected to address:

One, upgrading and modernizing DOE's nuclear weapons production complex, including funding for the new production reactor capacity; and

Two, disposing of radioactive and hazardous wastes, and the environmental cleanup of DOE's weapons production complex.

The requirements for health, safety and modernization improvements at the Department of Energy nuclear production and processing facilities have increased in light of the highly publicized current events of the past 6 months. It is anticipated that further developments during the course of the coming year will necessitate even further budgetary resources beyond what has been approved by Congress for fiscal year 1989. Particularly disturbing are that: One, the administration has not included in its fiscal year 1990 request any contingency planning for events that many experts believe are to take place given our recent history; two, that the administration has not presented a sustainable program in the out-years to complete safety and modernization improvements at many of the most critical facilities; and, third that the Department has failed to maintain, in either its current fiscal year request and in the out-years, an appropriate balance between the needs for upgrading and modernizing existing facilities and critical cleanup and environmental restoration at those facilities. All of these may require the Congress to dedicate substantial financial resources beyond what currently has been proposed.

Three, the appropriate level of investment in long-term civilian research and development for international competitiveness and technological leadership.

The science and technology programs carried out in the Department of Energy's national laboratories and university-supported research programs are increasingly critical to the Nation's national security and economic health. Many of the basic sciences and general sciences programs of the Department are on the cutting edge for international competitiveness and technological leadership and in striving for knowledge, innovation, and growth which are basic to our Nation's future. Additional resources must be committed for these important DOE science programs for the scientific and technological advances that will enable the Nation to compete.

In formulating the fiscal year 1989 Energy and Water Development appropriations bill, the subcommittee adopted a no new starts policy because of the extremely limited budgetary resources. This action was necessary because the subcommittee did not want to adversely impact ongoing programs and activities in order to obtain funding resources to undertake new construction commitments. The resulting pent-up demand is growing and new construction projects funding will have to be addressed in the fiscal year 1990 budget process.

Four, proposals to sell assets such as the Alaska Power Administration, Southeastern Power Administration, and the Western Area Power Administration and reform in the method of repayment of the Federal investment in the Power Marketing Administrations.

While this Committee cannot predict the ultimate enactment, or lack thereof, of repayment reform legislation for the Power Marketing Administrations, it should be noted that because of the long-term nature of power sales and purchases, revenue increases to the Treasury even in the next fiscal year appear highly unlikely. Moreover, subsequent regional rate increases could adversely affect local industries precipitating losses in Federal tax revenue and an increase in unemployment payments, thereby mitigating the intended benefits of repayment reform.

Five, adequate funding to allow the Army Corps of Engineers to continue to operate and maintain nearly 1,300 small ports and harbors and recreation projects nationwide.

The fiscal year 1990 budget request of the U.S. Army Corps of Engineers is $3,162,747,000, which is $73,514,000 less than that provided in fiscal year 1989. The request supports 31 new studies, 32 new preconstruction engineering and design projects, and initiation of 11 new construction projects.

In order to find resources to fund these 11 new construction projects, a policy decision was made to reduce the operation and maintenance of low priority recreation facilities and commercial harbors with less than 25,000 tons of commerce. This proposal affects nearly 1,300 projects nationwide and virtually every State in the country.

An amount of $978,919,000 is being requested for the Department of the Interior's Bureau of Reclamation water resource development activities in the 17 Western States. The budget includes six new studies, and no funds are requested for new construction starts. The budget fails to provide sufficient funding for several projects that the Congress has strongly supported in the past, including the Garrison Diversion Unit, North Dakota and the North Loup, Nebraska project.

As in past years, the budget proposal would terminate the programs and activities of the Appalachian Regional Commission [ARC]. Congress appropriated $110,700,000 for the ARC for fiscal year 1989. While progress has been made in many areas of Appalachia, the region has experienced widely differing growth rates, and the dislocation and other economic effects have been uneven. Some areas appear not only to have attained the self-sustaining diversified economy envisioned in the original Appalachian Act, but have exceeded national growth rates. In contrast, however, much of the central and southern Appalachian area continues to suffer from high poverty, job loss, and unemployment.

Highways have contributed much to the improvement of conditions in Appalachia. Their importance to the economic development of the region is clear. However, funding for Appalachian highways over the past few years has been inadequate to make inroads in completing important segments.

The fiscal year 1990 budget request for the Nuclear Regulatory Commission [NRC] is $475,000,000. This is $55,000,000 or 13.1 percent over the level of appropriations for fiscal year 1989. About one-half of the increase is to strengthen NRC safety programs. The other one-half of the increase is for nonprogram costs such as facility rent and salaries and expenses, which for the most part are not controllable.

If NRC is to continue to provide strong oversight and regulatory supervision necessary to maintain and improve the Nation's nuclear power industry, some increase will be necessary.

The 1990 budget request for the Tennessee Valley Authority [TVA] totals $87,596,000, a 15-percent reduction below the 1989 appropriation of $103,000,000. The budget request continues to support, but at reduced levels, TVA's natural resource, fertilizer development, and water quality programs. However, as has been the case in the past several years, no funding is requested for economic or community development, which the Congress has consistently supported.

Budgetary constraints will hamper TVA's work to improve water quality in their reservoirs and the problem will continue to worsen. High priority activities related to ground water, reservoir release improvements, nonpoint source pollution, and research related to fertilizer introduction and environmental effects will be severely constrained.

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	980	760	−220		760	760
Discretionary	13,310	13,898	+588	6,868	5,292	12,160
Subtotal	14,290	14,658	+368	6,868	6,052	12,920
Modifications to 1989:						
Supplementals						
Rescissions						
Subtotal						
Total	14,290	14,658	+368	6,868	6,052	12,920

OVERVIEW

The programs funded by the Foreign Operations Subcommittee encompass the bulk of U.S. foreign assistance programs, bilateral and multilateral, economic and military. Included in these programs are such diverse activities as the Peace Corps and the World Bank, international narcotics control, and military assistance to countries with which we have base rights agreements. They can rightly be said to be the underpinnings of American foreign policies.

The costs of implementing those policies in an increasingly complex and competitive world are rising. Between 1981–85, there were substantial increases in the foreign operations budget to respond to these challenges. However, between 1985 and 1989, foreign operations budgets were cut by nearly 25 percent. The consequences of this decline are now becoming apparent. Last year, for the first time in history, the United States was replaced by Japan as the world's largest aid donor.

Because of the lack of specifics in President Bush's budget revision, the subcommittee is still seeking more detailed information on the fiscal year 1990 Foreign Operations request. President Bush's adjustment of February 9 provides little guidance as to the present administration's priorities in foreign operations, and how it would realistically accommodate the Foreign Operations appropriation within a plan to meet Gramm-Rudman-Hollings deficit reduction targets. The subcommittee assumes President Bush's Foreign Operations request is identical to that submitted by President Reagan, with one exception—the treatment of the Direct Loan Program for the Export-Import Bank.

FISCAL YEAR 1990 BUDGET ESTIMATES

President Reagan's fiscal year 1990 budget request of $14,658,000,000 in budget authority for foreign operations—excluding the Export-Import Bank—is approximately a 6-percent increase over the amounts provided in fiscal year 1989. The bulk of this increase is attributable to $314,000,000 to make up arrearages in U.S. contributions to the multilateral development banks, $150,000,000 for a new enhanced structural adjustment facility for the IMF, and $200,000,000 in a new special assistance initiative to the Philippines, as well as increases in bilateral development and security assistance programs. Compelling arguments can be made for each of these initiatives.

However, taken in the aggregate, these initiatives pose serious problems for the Foreign Operations budget. At the same time the President has requested a 6-percent increase for foreign operations within a 10-percent increase for the discretionary programs in the international affairs function, he has proposed that important domestic programs be placed in a flexible freeze. The subcommittee doubts that the administration's approach is realistic in the current budget climate. Even if the full administration request were approved, the subcommittee would face difficult choices in funding all the new initiatives the President proposes. To the extent that the President's request is reduced by Congress—for example, to a freeze at the fiscal 1989 level without discretionary inflation—these choices would be even more difficult, and cuts of some $837,000,000 in budget authority and $331,000,000 in outlays would be necessary. These reductions are understated because President Reagan's fiscal year 1990 request assumed termination of the Direct Loan Program, which the Bush administration has put in the flexible freeze pool. This program traditionally has had strong congressional support. If it were funded at the fiscal year 1989 level, this would be an additional $595,000,000 in budget authority and $98,000,000 in outlays which would have to be accommodated in the overall Foreign Operations total. A freeze with no provision for new initiatives would require that cuts extend to other important programs as well.

While the subcommittee recognizes budget realities, it emphasizes that Congress, in turn, must recognize that the Foreign Operations budget faces an unusual degree of upward pressure. Past administration policies of creating expectations abroad for increased U.S. assistance, deliberate actions to delay full funding of international commitments, and the shifting needs of a changing world, all serve to create new demands for Foreign Operations funding. Specifically:

—Multilateral development banks have become the primary source of funds for leveraging essential macroeconomic reforms and reversing the precipitous decline of Third World economies, with a consequent loss in U.S. exports. The subcommittee believes that Congress must make good on these arrearages, exceeding $300,000,000, and seeks increased budget authority to do so. The outlay impact of this adjustment could total as much as $143,000,000.

—Another pressure results from the processing and resettlement of sharply increasing numbers of Soviet Jews and other refugees. The subcommittee estimates that the administration's request has understated the true costs of refugee programs by as much as $100,000,000 to $150,000,000. These programs have an outlay rate of nearly 70 percent, meaning an additional $70,000,000 to $100,000,000 in outlays.

—Significant foreign assistance increases for Portugal, the Philippines, and other countries have also been requested by the administration. In the case of Portugal, a strong United States ally which has been neglected relative to other base rights countries, additional funding cannot be expected without placing further pressure on an already overburdened Foreign Operations budget. The subcommittee believes Congress will wish to respond to many of these requests because of important U.S. interests involved.

In summary, the subcommittee is prepared to work with the administration to set priorities and to make difficult decisions to accommodate the Foreign Operations appropriation to an overall budget designed to meet deficit reduction targets. However, the subcommittee wishes to stress that specific new upward pressures do need to be addressed, particularly to meet multilateral development bank arrearages, underfunding of the refugee assistance programs, and new foreign aid initiatives involving key allies.

INTERIOR AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	41	36	–5	3	33	36
Discretionary	9,836	8,841	–996	3,493	6,067	9,560
Subtotal	9,877	8,877	–1,001	3,496	6,100	9,596
Modifications to 1989:						
Supplementals	250	....	–250	....	....	....
Rescissions	–65	....	+65	–24	....	–24
Subtotal	185	....	–185	–24	....	–24
Total	10,062	8,877	–1,186	3,472	6,100	9,572

OVERVIEW

The jurisdiction of the Interior and Related Agencies Subcommittee extends to the vast holdings of public lands in the country, particularly in the West. The Interior Department is responsible for administering 354 units of the National Park System covering 79,800,000 acres, 445 refuges of the Fish and Wildlife Service and a total of over 90 million acres, 260 million acres managed by the Bureau of Land Management, 52 million acres of Indian trust lands, and approximately 865,000 Indians living on or adjacent to reservations. In addition, the subcommittee's jurisdiction extends to the Forest Service, which manages 191 million acres of public land in 44 States, Puerto Rico, and the Virgin Islands. These public lands encompass 156 National Forests and 19 National Grasslands.

The jurisdiction of the subcommittee also extends to the nondefense, nonnuclear programs of the Department of Energy. These encompass fossil energy research and development, including clean coal technology. Other energy programs include conservation, the strategic and naval petroleum reserves, and the energy information dissemination activities of the Department of Energy.

The Indian Health Service administers and delivers comprehensive health care to American Indians and Alaska Natives through a system of 45 hospitals, 65 health centers, and 267 smaller health stations. Additional care is offered by tribal contractors at 6 hospitals, 60 health centers, and 262 smaller health stations. Further jurisdictional responsibility of the subcommittee extends to other related Indian programs, such as education, as well as the Federal arts and humanities programs.

FISCAL YEAR 1990 BUDGET ESTIMATES

The following narratives outline the subcommittee's major concerns with the fiscal year 1990 budget as submitted by President Reagan. Where appropriate, the subcommittee has also commented on the fiscal year 1990 baseline, as scored by CBO. Specific items are listed below, by account.

Fish and Wildlife Service

Resource management.—The fiscal year 1990 President's Budget provides inadequate funding to address the severe maintenance backlog and hatchery operations requirements. The budget request falls approximately $20,000,000 short of the CBO baseline estimated for fiscal year 1990.

Construction and anadromous fish.—As in prior years, the budget request ignores the serious backlog in hatchery reconstruction needs to meet treaty and other mandatory fish production requirements. An estimated $23,000,000 is necessary for the subcommittee to address these requirements, as well as the construction of new visitor centers associated with the creation of new wildlife refuges and increased visitation at certain existing refuges.

Land acquisition.—The President's request does not provide funding necessary to accomplish high priority land acquisitions necessary to protect endangered and threatened species and to protect refuges from incompatible development. It is the subcommittee's understanding that of the increased land acquisition identified by President Bush in "Building a Better America", approximately $74,000,000 will be recommend for Fish and Wildlife Service acquisitions. This would be an increase of $16,000,000 over the CBO baseline would be required.

National Park Service

Historic preservation fund.—The administration has proposed to eliminate funding for this activity for each of the last 8 years. Congress, however, has consistently restored the program. The subcommittee has every reason to expect that funding of $32,000,000, comparable to the fiscal year 1989 appropriation, will be required in fiscal year 1990 as well.

Construction.—The President's budget request severely underfunds necessary replacement of outdated facilities and construction of essential visitor services at newly established park units. These expenditures are unquestionably investments in the future—deferring these construction needs in the short term saves the Federal Government no money in the long run. An increase of $122,000,000 is necessary to restore the CBO baseline.

Land acquisition.—In "Building a Better America," President Bush proposes to fund land aquisition at the fiscal year 1989 enacted level. Assuming the National Park Service receives the same portion as was appropriated in fiscal year 1989, the budget request submitted by President Reagan would need to be increased by $60,000,000 to bring the budget request in line with the CBO baseline. The funding requirements in fiscal year 1990 may increase substantially, however, if the Interior Department's new proposal to prohibit the exercise of valid existing mining rights in parks successfully completes the rulemaking process. This proposal is tantamount to the taking of private rights and would require Federal compensation for the valid existing rights, which could run into the hundreds of millions of dollars.

John F. Kennedy Center for the Performing Arts.—The President's fiscal year 1990 request does include an additional $9,000,000 to make necessary repairs to the parking garage, which is not anticipated in the CBO baseline.

Bureau of Mines

The fiscal year 1990 budget submission reduces funding for mine health and safety research. Such a reduction hardly treats the Nation's 164,000 miners in a kinder, gentler manner. Additional funding of $29,000,000 is necessary to address these needs at the CBO baseline level.

Office of Surface Mining Reclamation and Enforcement

The President's fiscal year 1990 budget proposes a sharp reduction in the funds appropriated from the abandoned mine land trust fund for the reclamation of serious mine land hazards. This money is collected into a trust fund from coal production taxes and is to be used specifically for mine land reclamation activities. These funds earn no interest while sitting in the Treasury unused. States have every reason to expect their returns from the trust fund in a prompt manner when such funds can be usefully expended. In recent years, States have demonstrated improvement in their ability to contract for mine reclamation construction work, as well as in their ability to obligate the trust funds distributed to them.

Bureau of Indian Affairs

Operation of Indian programs.—Consistent with prior budget submissions, the fiscal year 1990 budget underfunds programs operated for the benefit of American Indians and Alaska Natives. The Secretary of the Interior has a unique trust responsibility for these Native Americans. The programs under the jurisdiction of the Interior Subcommittee which are conducted to uphold this trust responsibility include education, social services, natural resources, law enforcement, economic development, and rights protection. The budget submitted by the President is $76,000,000 below the fiscal year 1990 CBO baseline when the same programs are taken into account. In addition to the funds identified above, the CBO baseline does not include $82,000,000 for full funding in fiscal year 1990 for three Indian water rights settlements which were enacted and signed into law by the President last year.

Forest Service

State and private forestry.—As in past years, the administration has proposed a substantial reduction in the programs which provide pest management, fire protection, and wood use services to State and local entities, as well as pest protection for the Federal lands. The budget request is $38,000,000 below the fiscal year 1989 appropriation and $42,000,000 below the CBO baseline.

National Forest System.—The National Forest System provides a vast array of resources for the benefit of the American public. Programs under this budget include wildlife; recreation; timber; soil, water and air; law enforcement; range; minerals; and land management. The requested level is $160,000,000 below the baseline—$72,000,000 in receipts and $88,000,000 in appropriated dollars. Due to a strong harvest and market price for timber last year, the fiscal year 1989 appropriation bill included language which allowed the Forest Service to use receipts which surpassed their original estimate for the conduct of programs within the National Forest System. For fiscal year 1989, this resulted in an additional $72,000,000 for the conduct of these programs. These funds are not reflected in the fiscal year 1990 request. The fire aspects of the National Forest System are discussed at the end of the program by program section.

Land acquisition.—In "Building a Better America", President Bush proposes to fund land acquisition at the fiscal year 1989 enacted level. Assuming that the Forest Service receives roughly the same portion as was appropriated in fiscal year 1989, the budget request submitted by President Reagan would need to be increased by $61,000,000 to reflect the CBO baseline.

Construction.—Continued work on Forest Service visitor facilities, trails, and roads is proposed in the fiscal year 1990 President's Budget at a level $5,000,000 below the current CBO baseline for fiscal year 1990.

Department of Energy

Clean coal technology.—A total of $710,000,000 is needed for the Clean Coal Technology Program in fiscal year 1990. President Bush, in his State of the Union address, announced that he would request full funding for the Clean Coal Technology Program to a level of $710,000,000 for fiscal year 1990. This funding meets the ongoing requirements of the first and second solicitations, as well as necessary funding which will be incurred by the upcoming third solicitation to be announced on May 1, 1989. The Reagan administration request proposed to make $325,000,000 available in fiscal year 1990 and to rescind the balance of $385,000,000 which had been made available by prior advance appropriations.

Fossil energy research and development.—An increase of $234,000,000 would restore the fiscal year 1990 President's request to the CBO baseline level. The administration has consistently proposed very low budgets for energy research funded in the Interior bill over the last 7 years. The increased funding above the request for fossil energy research and development would maintain the necessary research and development at the pilot and smaller scale levels, which is necessary for the development of large-scale cost shared Clean Coal Technology demonstrations and the like.

Energy conservation.—The administration request includes no funding for State energy conservation grants, such as low income weatherization, schools and hospitals, et cetera. Maintenance of the fiscal year 1989 level for these programs alone would require an increase of $205,000,000. The request for energy conservation research was reduced by 47 percent. At a time of heightened concern about global warming, and when DOE's own energy projections indicate that the United States will again be importing 50 percent of its oil by the early 1990's and 10,200,000 barrels per day by the year 2000, and with all of the negative impacts this situation would have on the balance of payments, and military and domestic economic security, the sharp reductions proposed by the administration are a poor representation of the country's real needs in this area. Even in times of severe budget stringency, the Nation must not fail to make prudent investments which are expected to yield substantial economic returns in the not too distant future.

Strategic petroleum reserve/oil acquisition.—The fiscal year 1990 budget request is based on faulty pricing and oil fill rate assumptions. The administration request only allows for the acquisition of petroleum to fill the reserve at a rate of 22,000 barrels per day. This is below the legal level of 75,000 barrels per day, with a price assumption of $18.61 per barrel. Concurrently, the administration assumes that another 50,000 barrels per day would be available for storage in the strategic petroleum reserve as a result of the proposed sale of the naval petroleum reserves. The CBO baseline assumption apparently is built on the fiscal year 1989 budget authority appropriation. However, in order to reduce overall budget authority in 1989, the Congress appropriated the petroleum acquisition authority for the first quarter of fiscal year 1990 by an advance fiscal year 1990 appropriation. Consequently, the fiscal year 1989 appropriation of $242,000,000 only represents needs for three-fourths of a year and does not include the traditional funding for advance purchases in the first quarter of the subsequent year. Consequently, the CBO baseline does not reflect four quarters, but only three.

Indian Health Service

Indian health services.—The President's fiscal year 1990 budget proposes to split the health services appropriation between Federal and Tribal Programs. While increased funding is provided for the provision of health services, these cost increases relate only to the increased cost of providing medical care and do nothing to address the estimated $40,000,000 backlog in health care services.

Indian health facilities.—Consistent with prior years, the budget proposal provides minimal funding for Indian health facilities, which includes not only repair and modernization of health care facilities, but also basic sanitation infrastructure for American Indians and Alaska Natives. The fiscal year 1990 budget request for these facilities is $42,000,000 below the CBO baseline.

Other adjustments

Fire.—Calendar years 1987 and 1988 were two of the most severe fire years in history. As a result, the land managing agencies under the jurisdiction of the Interior Subcommittee have been faced with tremendously increased costs for fire. The fiscal year 1990 President's Budget assumes a new method for funding Federal wildland firefighting, with partial funding provided from mineral and resource revenues before they are distributed to States and counties. Such proposals have been firmly rejected by the Congress in recent years. As a result, the subcommittee has no expectation that such a proposal will be accepted this year, resulting in a necessary increase of $448,000,000 to address projected fiscal year 1990 fire expenses.

In addition to the fiscal year 1990 expenses, $91,000,000 is necessary for the Interior Department to restore prior year funds which were transferred from land acquisition and construction accounts to fund fiscal year 1988 fire expenses. Furthermore, the Forest Service has borrowed extensively from the Knutsen-Vandenburg reforestation trust fund in the last 2 years—a total of $508,000,000 has been diverted from the fund to fight fires. The administration is requesting an fiscal year 1989 supplemental of $250,000,000 to repay partially the Knutsen-Vandenburg fund. Thus, even assuming inclusion of that amount in an fiscal year 1989 supplemental, an additional $258,000,000 will be necessary to fully repay the Knutsen-Vandenburg trust fund, which is an investment in reforestation that the subcommittee cannot ignore.

Further fire expenses in the fiscal year 1990 budget are not included in the CBO baseline. These would be funds to repay the anticipated cost of fires which will occur in fiscal year 1989—that is, this summer's fires. The agencies under the subcommittee's jurisdiction have requested a total of $234,000,000 for repayment of anticipated fiscal year 1989 fire expenses.

FISCAL YEAR 1989 SUPPLEMENTALS AND RESCISSIONS

The administration has proposed, as discussed above, $250,000,000 in supplemental appropriations for fiscal year 1989 to begin repayment of the Knutsen-Vandenburg reforestation trust fund. These funds were borrowed during fiscal years 1987–88 to meet emergency firefighting needs. Even if the $250,000,000 supplemental request is enacted, an outstanding balance of $258,000,000 will remain to be repaid to the Knutsen-Vandenburg fund.

FISCAL YEAR 1990 CREDIT ESTIMATES

The fiscal year 1990 budget submitted by President Reagan includes a proposed limitation on Bureau of Indian Affairs guaranteed loans of $45,000,000. A similar proposal was submitted in fiscal year 1989 and was not enacted by the Congress.

LABOR-HHS-EDUCATION AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	100,129	107,753	+7,624	2,669	105,138	107,806
Discretionary	39,745	39,752	+8	24,899	20,921	45,820
Subtotal	139,874	147,505	+7,631	27,568	126,059	153,626
Modifications to 1989:						
Supplementals	1,061		−1,061	108		108
Rescissions	−1		+1			
Subtotal	1,060		−1,060	108		108
Total	140,934	147,505	+6,571	27,676	126,059	153,735

FISCAL YEAR 1990 BUDGET ESTIMATES

President Reagan's fiscal year 1990 request for programs funded under the jurisdiction of the Labor-HHS-Education and Related Agencies Subcommittee is $147,505,000,000 in budget authority and $153,735,000,000 in outlays. However CBO has reestimated the outlay impact of the President's budget to be $155,831,000,000, an increase of $2,096,000,000 over the OMB estimate.

For discretionary programs, President Reagan's request totals $39,752,000,000 in budget authority, a net increase of $8,000,000 over fiscal year 1989. Within this total, more than $2,000,000,000 in reductions and program terminations are proposed, offset by a like amount of recommended increases in other activities. The budget request is $3,500,000,000 below the CBO current services (baseline) estimate for discretionary programs.

For entitlement programs, the Reagan budget totals $107,753,000,000, an increase of $7,624,000,000 over fiscal year 1989 budget authority. If legislative changes recommended by President Reagan are enacted, outlay savings of nearly $7,000,000,000 would be achieved in fiscal year 1990, primarily through cuts in Medicaid and Medicare.

On an overall basis, the Reagan budget is $5,616,000,000 below the current services baseline for budget authority and $5,922,000,000 below the current services baseline for outlays.

MAJOR INCREASES PROPOSED BY THE REAGAN BUDGET

One way to view major Reagan initiatives is to consider those increases over 4.1 percent, or the current GNP deflator forecast by CBO. These increases total $733,000,000 for the discretionary programs included within the jurisdiction of the subcommittee. While they are offset by proposed program terminations and reductions, these increases represent a significant funding pressure on the subcommittee due to the expectation created by the Reagan budget.

For the Department of Labor, the administration recommends increasing several job training programs beyond the inflation rate, including assistance for dislocated workers, State unemployment insurance service offices, and the Job Corps. The increase for dislocated worker assistance is to implement the recently enacted Economic Dislocation and Worker Adjustment Assistance Program, while increases for unemployment offices and the Job Corps reflect both new facilities requirements and higher operating costs.

For the Department of Health and Human Services, the largest single increase over the GNP deflator is the increase for AIDS. Additionally, NIH includes a number of increases over 4.1 percent totaling $148,000,000. Other large percentage increases (although with smaller dollar increases) are for the infant mortality initiative (55.7 percent), treatment outcome evaluations (218 percent) and for rural health research centers (109.2 percent).

Major increases over the CBO/GNP deflator for the Department of Education include vocational rehabilitation State grants, adult literacy education, Pell grants, and activities within the Office of Educational Research and Improvement, the Office of Civil Rights, and the Office of the Inspector General. While many other education programs were slated for inflation adjustments in the Reagan budget, they generally received an increase of about 3.4 percent, the GNP deflator as calculated by OMB for forward-funded programs.

BUDGET RECOMMENDATIONS OF PRESIDENT BUSH

For programs within the jurisdiction of the subcommittee, President Bush's recommendations would add in gross terms $2,600,000,000 to the Reagan budget with $947,600,000 of this in discretionary programs. For the Department of Labor, Bush recommends an additional $3,600,000 for homeless training. For the Department of Health and Human Services, Bush has recommended discretionary increases of $503,000,000 and $1,655,000,0000 of additional mandatory expenditures resulting from the withdrawal of Reagan legislative proposals to make savings in the Medicaid program. The major discretionary increases relate to drug prevention and treatment ($65,000,000), homeless assistance ($167,000,000) and Head Start ($250,000,000). For the Department of Education, the discretionary increases total $441,000,000, primarily for a merit schools proposal, additional funding for magnet schools that do not deal with desegregation and programs to reward exemplary science scholars and teachers.

To pay for those several increases, President Bush has proposed in the aggregate to freeze all programs, other than those proposed for increases, so that fiscal year 1990 outlays do not exceed fiscal year 1989 outlays. If this freeze were implemented without exception, subcommittee budget authority would need to be cut more than $4,700,000,000 below the levels requested by President Reagan. Reductions of this magnitude are extremely unlikely.

Clearly the Bush recommendations represent a special category of funding pressures on the subcommittee.

RESTORATIONS OF MAJOR CUTBACKS

Virtually all of the $2,000,000,000 in cutbacks proposed in the President's budget have been rejected in previous years. Examples include: the proposal to abolish the community services block grant, which funds a nationwide network of 900 antipoverty agencies (–$380,000,000); health professions education, which trains nurses and other primary care health professionals (-$213,000,000); low-income home energy assistance (-$283,000,000); refugee resettlement (-$140,000,000); impact aid "b" payments (-$135,000,000); new Federal capital contributions for Perkins loans (-$184,000,000); State student incentive grants (-$72,000,000); and workplace literacy partnerships (-$12,000,000).

MAJOR FUNDING PRESSURES

Over and above the pressures created by the Bush and Reagan budget initiatives, plus the difficulty of achieving the Reagan reductions, there are a number of major pressures.

For the Department of Labor, recently enacted Trade Act legislation authorized a $700,000,000 increase for dislocated worker assistance, which is $580,000,000 above the budget request. Significant increases in the $344,000,000 program of community service employment for older Americans are expected to be pursued to offset numerous State minimum wage increases, as well as to fund new projects mandated by law for native Americans. Pressures are also expected to augment enforcement of occupational and mine safety and health laws in the workplace, reversing declines of recent years.

For the Department of Health and Human Services, the Public Health Services agencies now estimate the true funding needs for AIDS programs at $2,100,000,000 or $500,000,000 more than requested. The Medicare contractors budget for payment safeguards has been reduced $134,000,000 below last year's level. The low income home energy assistance program has been cut $283,000,000 below last year. The NIH, in total, is funded at $900,000,000 below the level needed to meet the significant biomedical research needs as viewed by the scientific community. If the Committee is to meet priorities identified in the Omnibus Anti-Drug Abuse Act of 1988, significant increases will be required. While the Congress less than 6 months ago mandated an authorization of $1,500,000,000 for drug and alcohol treatment, only $814,000,000 was requested by President Reagan ($879,000,000 by Bush), far short of the level required for this critical component in the war on drugs. The administration proposes a further cut of 1,600 staff at Social Security offices, which would require $50,000,000 to restore; over the last 5 years, staff cuts have exceeded 20 percent.

Within the Department of Education, annual increases provided for compensatory education have been between $240,000,000 and $415,000,000 since fiscal year 1986. Administration documents indicate that Reagan's proposed increase of $151,000,000 would result in either a freeze in the number of children served or a reduction in per-pupil expenditures. Similarly, the Congress has boosted the maximum Pell grant by $100 for each of the last 2 years. To maintain this policy in fiscal year 1990 would require an additional $497,000,000, $241,000,000 more than the Reagan request.

The 100th Congress saw the enactment of two major education authorization bills, the Hawkins-Stafford amendments to the Elementary and Secondary Education Act, and title VI of the Omnibus Trade and Competitiveness Act. Both bills served to enact numerous new education line items, very few of which received funding in fiscal year 1989. As a result, current funding levels sit approximately $350,000,000 below the authorized levels for new programs in the Hawkins-Stafford Act and $140,000,000 below authorized levels for new programs in the Trade Act.

LEGISLATIVE BRANCH

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	64	68	+4		68	68
Discretionary	1,805	2,183	+378	226	1,970	2,196
Subtotal	1,869	2,251	+382	226	2,038	2,264
Modifications to 1989:						
Supplementals	15		−15			
Rescissions						
Subtotal	15		−15			
Total	1,884	2,251	+367	226	2,038	2,264

OVERVIEW

The jurisdiction of the Subcommittee on the Legislative Branch encompasses the organizational infrastructure of the Senate and the House of Representatives and an assortment of supporting and related agencies.

In accordance with the tradition of intercameral comity, the subcommittee's review centers on specifically Senate entities as well as certain joint congressional endeavors, such as the Joint Economic Committee and the Congressional Budget Office, and related organizations like the General Accounting Office and the Library of Congress. The subcommittee is, of course, nonetheless accountable for meeting the overall funding constraints imposed in congressional budget resolutions, including amounts provided for House items.

FISCAL YEAR 1990 BUDGET ESTIMATES

The total request for the bill (disregarding an undistributed OMB reduction included in the President's budget which is discussed below) is $2,250,756,200 in budget authority [BA] and $2,263,796,000 in outlays [BO] (OMB estimates). This represents an increase of approximately $367,000,000 in budget authority over the proposed level for fiscal 1989.

The President's budget includes an unspecified reduction of $318,625,000 to the estimates of the legislative branch. The stated rationale is to keep funding for legislative branch agencies to the current services level. Notwithstanding this general reduction, the Committee will review the requests on an account-by-account basis.

The Committee believes that the amount contained in the budget, exclusive of the arbitrary cut by OMB, would amply support effective performance of legislative branch agencies, with the usual caveat regarding the enactment of legislation adding significant new or expanded programs or activities. In this connection, however, it must be noted that the move to a mailing policy more consonant with House practices, as contemplated in Senate Resolution 66, could result in a substantial increase in the appropriation for official mail costs.

Overall, the Committee is seriously concerned about the number and magnitude of increases proposed in the budget for legislative branch agencies and will undertake to reduce the requested amounts to levels more in keeping with the need for fiscal restraint throughout the Government.

Major increases.—Major increases proposed in the budget include: $64,808,000 for the Senate; $81,284,000 for the House of Representatives; $80,570,000 for joint items; $63,844,000 for the Architect of the Capitol; $34,279,000 for the Library of Congress; and $38,015,000 for the General Accounting Office.

FISCAL YEAR 1989 SUPPLEMENTALS

Program supplementals within the subcommittee's jurisdiction requested for fiscal 1989 total $15,280,000. The Senate items include: $490,000 for salaries, officers and employees, and $727,000 for contingent expenses of the Senate.

Program supplementals for the House of Representatives total $6,102,000 for salaries and expenses. The budget also proposes supplementals of $7,057,000 for official mail costs and $904,000 for the Biomedical Ethics Board.

MILITARY CONSTRUCTION

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory						
Discretionary	8,961	8,558	–403	5,694	3,019	8,713
Subtotal	8,961	8,558	–403	5,694	3,019	8,713
Modifications to 1989:						
Supplementals						
Rescissions						
Subtotal						
Total	8,961	8,558	–403	5,694	3,019	8,713

OVERVIEW

The Military Construction appropriations bill provides funding for major construction at military installations worldwide as well as construction and operations of military family housing.

FISCAL YEAR 1990 BUDGET ESTIMATES

The Bush administration has revised the fiscal year 1990 request of the previous administration to reduce the overall 051 Department of Defense budget function to reflect zero real growth in budget outlays. However, the Office of Management and Budget has indicated that revised account detail and budget justifications will not be made available to the Committee until April 9, 1989. The subcommittee has, therefore, based its views and estimates on the only budget detail currently available—that of the previous administration.

The fiscal year 1990 military construction request submitted by the previous administration includes funding for more than 1,000 projects at almost 600 military bases worldwide and the operation and maintenance of more than 410,000 family housing units. The budget requests a total of $8,557,580,000 in new budget authority, $403,120,000 under the enacted fiscal year 1989 level. Outlays are estimated by the Department of Defense to be $8,712,800,000, the lowest level in 3 years.

While the previous administration's budget request assumes a 2-percent real increase for the overall 050 national defense function, the accounts within the jurisdiction of the Military Construction Subcommittee are reduced almost 8 percent in real terms. The request currently pending before the subcommittee provides a 26-percent real reduction for the Guard and Reserve accounts, a 26.4-percent reduction in Army military construction, and a 29.3-percent reduction in the Navy program. The Air Force receives a 16-

percent real increase and Defense Agencies, an increase of 4.6 percent. In family housing, only the Air Force receives a real increase in budget authority.

Because of the need to reduce the Federal deficit, the Committee does not recommend an increase to the request beyond the totals recommended by the administration. The Department of Defense chose to substantially reduce the resources available for most military construction and family housing accounts relative to the overall defense request. The failure of the Department to more strongly support military construction and family housing as a priority in the fiscal year 1990 request makes any congressional increase unrealistic.

An 8-percent real reduction in fiscal year 1990 can be accommodated by rearranging the priorities in the request. The highest priority military construction needs can be met, in part, by reducing overseas spending while increasing investments for the cost-effective Guard and Reserve component.

The Department has also requested appropriations for fiscal year 1991. None of the projects requested are designed, thus, the budget estimates are unreliable. The Committee, therefore, will not review the request for fiscal year 1991 until next year, when more accurate estimates can be provided by the Department.

TRANSPORTATION AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	411	421	+10	47	376	423
Discretionary	10,549	9,582	−968	17,803	8,905	26,708
Subtotal	10,960	10,003	−958	17,850	9,281	27,131
Modifications to 1989:						
Supplementals	1		−1	−9		−9
Rescissions						
Subtotal	1		−1	−9		−9
Total	10,961	10,003	−959	17,841	9,281	27,122

OVERVIEW

The Subcommittee on Transportation provides funding for all the organizations included in the Department of Transportation, except for the Maritime Administration. In addition, the subcommittee has jurisdiction over a number of related agencies including the Interstate Commerce Commission, the National Transportation Safety Board, the Panama Canal Commission, and the Washington Metropolitan Area Transit Authority.

In fiscal year 1989, major funding was provided to the Federal Aviation Administration, the U.S. Coast Guard, the Urban Mass Transportation Administration, the Federal Highway Administration, the National Highway Traffic Safety Administration, the Federal Railroad Administration, and the National Railroad Passenger Corporation (Amtrak).

In addition, the Defense Subcommittee provided the Coast Guard additional resources of $206,000,000 for operations ($66,000,000 was cash and $140,000,000 was in-kind supplies) and the Military Construction Subcommittee provided another $50,300,000 for the acquisition, construction and improvements account. However, the CBO baseline excludes the $140,000,000 of in-kind supplies and the $50,300,000. If these amounts were included in the baseline, budget authority would be higher by $190,300,000 and outlays would be increased by approximately $135,000,000.

FISCAL YEAR 1990 BUDGET ESTIMATES

The Bush budget proposal for the Transportation Subcommittee is a reduction of the fiscal year 1989 program level (budget authority and obligation ceilings) of over $1,500,000,000. The flexible freeze proposed by the administration results in discretionary outlays of $26,708,393,000 as estimated by OMB and $26,530,000,000 as estimated by CBO, a difference of about $180,000,000. The fiscal year 1989 discretionary outlays are estimated at $26,510,000,000 by CBO.

The $180,000,000 difference in outlay estimates on the administration's fiscal year 1990 proposal is caused primarily by OMB estimating discretionary prior years' outlays $198,000,000 higher than CBO. For fiscal year 1990 CBO estimates discretionary new outlays $20,000,000 higher than OMB.

DISCRETIONARY SPENDING

The subcommittee has serious concerns about two aspects of discretionary spending. They are: the limited amount of new, truly discretionary authority because of prior years' obligations; and the real effects of the flexible freeze if historical congressional funding decisions are repeated.

Although the prior years' outlays are called discretionary, these funds will be outlayed in fiscal year 1990 on a variety of programs for which obligations have already been made. These programs include: highway construction, airport development grants, transit capital grants, and long-term contracts for modernization of the national airspace system. Hence, the truly discretionary authority of the subcommittee lies in the area of new outlays, which represent only about one-third of the total outlays. In this category, OMB estimates the administration's budget total at $8,905,256,000, while CBO estimates the total at $8,925,559,000.

The application of the proposed flexible freeze on discretionary outlays also has serious implications for funding fast-spending programs that need to be kept in mind. If the subcommittee is expected to keep its outlays at the fiscal year 1989 level, the subcommittee would have to make a major reevaluation of the needs in fast-spending programs and the expectations for funding them. The CBO 1989 baseline scores the transportation bill with total outlays of $26,890,809,000. Of this amount, the prior years' discretionary total is $17,267,383,000; and the new discretionary outlays are $9,242,710,000 (or $9,378,000,000 if outlays associated with the DOD and Military Construction funding were included).

At first glance this appears to be an adequate level of funding in light of OMB's and CBO's scoring of the administration's budget proposal. However, the programs that were eliminated or severely cut were fast-spending programs. Therefore, if we assume that the Congress will follow past practice and add back to the administration's budget proposal those programs that were eliminated or severely cut, the estimated discretionary new outlays for fiscal year 1990 would increase by another $1,400,000,000 over the $8,926,000,000 estimated by CBO. This would bring discretionary new outlays for fiscal year 1990 to $10,326,000,000, which is $1,100,000,000 above the fiscal year 1989 level.

MAJOR INCREASES PROPOSED BY THE ADMINISTRATION

The increases requested in the administration's proposal are all for programs that are likely to receive strong congressional support. The major increases include:

FAA operations.—An increase of $478,000,000 over the 1989 enacted levels for an additional 695 air traffic controllers; 400 additional aviation inspectors; and, 120 more civil aviation security personnel.

FAA facilities and equipment.—An increase of $571,000,000 above 1989 to continue planned procurement and installations for modernizing the air traffic control system, including doppler wind shear radar; long range radar for traffic control centers; and the advanced automation system.

Coast Guard operations.—An increase of $330,000,000 over 1989, to continue drug interdiction, law enforcement, and marine environmental protection activities; which assumes that the subcommittee would fully fund these operations and not receive additional support from Defense appropriations, which provided $200,000,000 in 1989.

Coast Guard acquisition, construction, and improvements.—An increase of $287,300,000 which includes $244 million to construct a polar icebreaker needed to carry out defense and scientific missions and international treaty obligations.

MAJOR DECREASES PROPOSED BY THE ADMINISTRATION

The major decreases proposed by the administration are not new initiatives. The proposed cuts and eliminations have been suggested by the previous administration and rejected by Congress. The major cuts include:

Essential air service.—No funding is requested for this program. It may require $40,000,000 to $50,000,000 in fiscal year 1990 to fully fund the program.

Local Rail Service Assistance Program.—No funding requested for this program. It provides a subsidy to light density rail branch lines that if not rehabilitated could face abandonment. Estimated need ranges from $10,000,000 to $25,000,000 in 1990.

Grants in aid to airports.—A reduction of $50,000,000 in the obligation ceiling is requested from the 1989 level of $1,400,000,000.

Federal aid to highways.—The proposal would reduce the obligation ceiling that controls this program by $690,000,000 from the 1989 level of $12,000,000,000; and approximately $310,000,000 for ceiling exempt programs would be subject to the ceiling. Also, other highway programs including single-purpose demonstration programs would be reduced by $140,000,000 down to $32,000,000.

Amtrak.—This program and its related activities would not receive any funding in fiscal year 1990. This would mean a reduction of $604,000,000 in budget authority.

Urban mass transit.—A total program reduction of $1,600,000,000 is proposed. This would have to be accomplished through legislation which would: (1) change the discretionary transit trust fund into a formula-based program, and (2) eliminate the existing formula-based program that is funded by the general fund. In addition, operating subsidies for areas above 200,000 in population would be eliminated; and the Interstate Transit Program would be eliminated as a line item appropriation.

Washington Metro.—Funding would be reduced by $126,000,000 from the 1989 level of $168,000,000.

FISCAL YEAR 1989 SUPPLEMENTALS AND RESCISSIONS

The administration proposes a $40,700,000 supplemental for the Federal Aviation Administration's operations. This would be funded by transferring $40,700,000 from various single purpose highway demonstration programs. In order to make the supplemental deficit neutral, in addition to the reprogramming of highway funds, the proposal would reduce transit operating grants by $42,200,000, and Amtrak capital grants by $10,000,000, to achieve the necessary outlay offsets.

In addition to the administration's supplemental request, it is expected that Congress will consider a supplemental for the Essential Air Service Program of approximately $6,600,000 and funding for the Local Rail Service Program of approximately $10,000,000.

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989s	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	7,234	9,032	+1,798		8,555	8,555
Discretionary	8,812	9,351	+540	1,382	8,022	9,404
Subtotal	16,046	18,383	+2,337	1,382	16,576	17,959
Modifications to 1989:						
Supplementals						
Rescissions						
Subtotal						
Total	16,046	18,383	+2,337	1,382	16,576	17,959

OVERVIEW

The Treasury, Postal Service, and General Government Subcommittee is responsible for funding programs and activities of the U.S. Department of the Treasury; the U.S. Postal Service; all of the Executive Office of the President agencies (with the exception of the Office of the U.S. Trade Representative, the Office of Science and Technology Policy, and the Council on Environmental Quality); the General Services Administration; and certain other independent agencies, commissions, boards, and offices.

At the time of the preparation of this report, the subcommittee has not yet had the opportunity to fully analyze the detailed appropriations justification materials submitted to it in support of the fiscal year 1990 budget proposed by President Reagan. In fact, the subcommittee has only just begun its regular hearing process during which it will receive the benefit of explanation and testimony on these funding proposals. In addition, the subcommittee has not received account-level detail on the fiscal year 1990 budget submitted by President Bush. This makes it impossible for the subcommittee to assess what changes the Bush budget proposes to the Reagan appropriations' requests now pending before the subcommittee, or which funding proposals contained in the Reagan budget now fall under the flexible-freeze spending category of the Bush budget plan. With the exception of very general, limited information on President Bush's fiscal year 1990 budget priorities, there is no specific information available on which to base even a preliminary assessment of this new budget request. It even remains unclear which of the general budget priorities set forth in the Bush proposal are already included in the Reagan budget request. For this reason, the subcommittee is only able to comment on the fiscal year 1990 budget submitted by President Reagan, and all comments contained herein to the President's or administration's proposal refer to the Reagan budget request.

Nonetheless, the subcommittee has made some tentative views and estimates with regard to the total amount of new budget authority and outlays required to sufficiently fund those programs and activities under its jurisdiction for fiscal year 1990. These tentative views and estimates are based on fiscal year 1990 preliminary baseline estimates of the Congressional Budget Office [CBO], as well as CBO's reestimates of President Reagan's budget request for fiscal year 1990.

FISCAL YEAR 1990 BUDGET ESTIMATES

The total fiscal year 1990 Reagan budget request for programs and activities under the jurisdiction of the subcommittee is $18,383,019,000. This amount is $2,337,109,000 above the fiscal year 1989 enacted appropriations level. Not included are savings of approximately $1,500,000,000 which could be realized only if legislation proposed for later transmittal in the Reagan budget is enacted into law. Since the Appropriations Committee has no control over the fate of these specific legislative proposals, the subcommittee cannot assume the savings which would result from their adoption; it must assume that the funding necessary to carry out current law will be required.

OMB's estimate of total outlays associated with the fiscal year 1990 Reagan budget authority request is $17,958,757,000. CBO reestimates total outlays associated with the President's request to be $12,494,000 above this OMB estimate.

Increases proposed in the Reagan budget.—Of the total $2,337,109,000 increase requested by the President, approximately $1,800,000,000 is for mandatory spending increases over which the subcommittee has no control. The President's request includes only a $539,608,000 total increase in discretionary spending above the fiscal year 1989 enacted level. This $539,608,000 includes a $289,139,000 proposed increase in funding for the Internal Revenue Service; $83,950,000 for new investment in management improvement initiatives; and $136,000,000 for the newly created "Special Forfeiture Fund" account under the Office of National Drug Control Policy. Increases in funding are also proposed for the Secret Service, the Bureau of the Public Debt, and the Financial Management Service in fiscal year 1990. All other discretionary accounts are included in the President's budget near or below their fiscal year 1989 funding level.

Program terminations.—The only program under the subcommittee's jurisdiction proposed for termination in the Reagan budget is the National Critical Materials Council. Congress has demonstrated its support for the Council in the past and there is no reason to believe that this support will not continue.

Special forfeiture fund: Office of National Drug Control Policy.—Another item the subcommittee must call attention to is the $136,000,000 "Special Forfeiture Fund" account under the Office of the National Drug Control Policy. In accordance with the Anti-Drug Abuse Act of 1988, there shall be deposited into the special forfeiture fund up to $150,000,000 in unobligated amounts remaining in the Department of Justice assets forfeiture fund at the end of fiscal year 1990. This transfer of funds will occur automatically under law and is reflected in the President's budget as a $136,000,000 budget authority requirement under the jurisdiction of the subcommittee.

IRS proposed increase.—The President's budget request proposes a $289,139,000 increase in funding for the Internal Revenue Service [IRS] in fiscal year 1990. Of this amount, approximately $55,000,000 is requested to permit the implementation of an enhanced revenue initiative in fiscal year 1990 which will generate an additional $318,000,000 in revenues to the U.S. Treasury. The remaining $234,000,000 proposed increase will allow the IRS to improve taxpayer service and to continue important automated data processing modernization efforts. If increased fiscal year 1990 funding is not provided to accommodate these activities, IRS indicates that the result will be a reduction in taxpayer service and/or a loss in the revenues needed to achieve deficit reduction. The subcommittee points out that funding for the IRS represents 60 percent of the total discretionary funding under the subcommittee's jurisdiction. As a result, the subcommittee is unable to provide any increased funding for the IRS through savings in its other discretionary programs.

Enhancements to the President's budget request.—The subcommittee is concerned that the only increase contained in the President's budget request for antidrug enforcement initiatives authorized by the Anti-Drug Abuse Act of 1988 is $21,000,000 to fund a new containerized cargo initiative by the U.S. Customs Service. It must also point out that this $21,000,000 increase is not new funding; it merely represents a shift in resources available to the Customs Service for its commercial operations activities. This shift undercuts the funding enhancement the Congress provided last year for Customs commercial operations. The Committee wholeheartedly supports increased funding for expanded cargo container examination, but not at the expense of other ongoing Customs programs.

Likewise, the firearms compliance and enforcement activities of the Bureau of Alcohol, Tobacco and Firearms [BATF] are being maintained in the Reagan budget at their enhanced fiscal year 1989 funding level through reductions in other Bureau program responsibilities. Again, the subcommittee does not support this reduction in funding for BATF's other duties.

The President's fiscal year 1990 request for the Customs Service's air interdiction program proposes a reduction below the fiscal year 1989 funding level. Approximately $155,000,000 above the level of the President's budget request is required for the U.S. Customs Service to carry out its mission under the administration's adopted air interdiction strategy in fiscal year 1990. Additionally, in the past, the subcommittee has provided enhanced levels of funding for the Armed Career Criminals Program, for Southwest border facility capital improvements, for expansion of the Federal Law Enforcement Training Center's capacity to meet increased law enforcement training demands and for other enforcement efforts. The Committee expects to maintain enhanced levels of funding for these important initiatives in fiscal year 1990. This cannot be accomplished at the President's proposed total funding level for discretionary programs under the jurisdiction of the subcommittee.

FISCAL YEAR 1989 SUPPLEMENTALS

The administration has submitted a number of requests to transfer funds appropriated for fiscal year 1989 between accounts. The funding transfer requests for the Internal Revenue Service are displayed in the Reagan budget as if adopted; the subcommittee has not acted on these requests and considers this representation misleading.

No supplemental or rescission requests affecting programs or activities under the subcommittee's jurisdiction have been submitted by the President. The Federal Election Commission [FEC], however, has submitted a fiscal year 1989 supplemental funding request of $368,000 to the Congress. This additional funding is required for the FEC to cover the cost of implementation of the Inspector General Act Amendments of 1988; the 1989 4.1 percent cost-of-living adjustment for Federal employees; and increased Federal contributions for employees' health benefits.

The subcommittee also notes that CBO's fiscal year 1989 baseline estimates include an upward reestimate of the funding required for one of the mandatory spending accounts under the subcommittee's jurisdiction. According to CBO, a $142,332,000 supplemental appropriation is now needed to fully fund the Federal payment to the civil service retirement and disability fund.

VA, HUD, AND INDEPENDENT AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1990 OMB outlays		
	Fiscal year 1989 enacted	Fiscal year 1990 request	Request versus 1989	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	16024	16,269	+245	1,291	15,050	16,341
Discretionary	43,363	46,223	+2,861	30,564	22,030	52,594
Subtotal	59,386	62,492	+3,105	31,855	37,081	68,936
Modifications to 1989:						
Supplementals	1,037		−1,037	38		38
Rescissions	−72		+72	−19		−19
Subtotal	965		−965	19		19
Total	60,352	62,492	+2,140	31,874	37,081	68,954

OVERVIEW

The Subcommittee on VA, HUD, and Independent Agencies appropriated $43,300,000,000 in discretionary budget authority in its fiscal year 1989 appropriations bill for the 18 Federal departments and agencies within its jurisdiction. This amount represents nearly 30 percent of the domestic discretionary spending within the Federal Budget and the Senate Appropriations Committee's jurisdiction in fiscal year 1989.

The subcommittee is responsible for two Cabinet departments, the Department of Veterans Affairs and the Department of Housing and Urban Development. In addition, it has exclusive jurisdiction over the Federal agencies which shape the Nation's Federal policies on environment, civilian space and basic research and development.

The Federal Departments and Agencies within the subcommittee's jurisdiction touch virtually every sector of our Nation. Their scope ranges from a rapidly aging veterans' population in need of increasing levels of medical care, to the most advanced programs in science and technology development which are central to regaining America's competitive edge in the international economy.

Major policy issues for fiscal year 1990

The subcommittee's fiscal year 1990 needs are affected by a number of major policy questions it will be forced to address in the course of its annual budget hearings. In summary, these issues are:

Veterans' medical care.—America's veterans are aging rapidly. The over-65 veterans' population will more than double between 1980 and 1990, reaching a level of 7,200,000, more than 25 percent of the veterans' population. Despite modest increases in the VA medical care account in recent years, the Department of Veterans Affairs has been unable to maintain sufficient medical services to meet the demand.

The fiscal year 1989 appropriation is underfunded anywhere from $324,000,000 (Secretary-designate Derwinski's estimate) to $620,000,000 (Senate Veterans Affairs Committee) to meet existing demand for care. The fiscal year 1990 shortfall, over and above the increases proposed in the President's budget, is estimated at anywhere from $500,000,000 to $1,300,000,000.

Assisted housing.—Over the next 12 years, 780,000 low-income housing certificates will expire. Fiscal year 1990 is the first year when a significant number of these certificates and recently issued vouchers are set to expire, when 23,644 rental contracts are affected. Without $1,100,000,000 over the fiscal year 1989 level for assisted housing, the Committee will be unable to provide sufficient funds to renew these contracts. The result of nonrenewal would be that those families living in units with expiring contracts would either become homeless or forced to spend more than 50 percent of their monthly income for rent.

The administration has proposed replacing these 23,644 contracts exclusively with 5-year vouchers because they believe vouchers are less expensive than certificates. According to a recent GAO study comparing the use of vouchers and certificates, however, the use of vouchers to replace the 780,000 expiring certificates was projected to cost as much as $9,600,000,000 more than renewing them as certificates.

In addition, Federal assistance also may be needed to deal with the 625,000 low-income housing units that were constructed with loans financed under the section 221(d)(3) and section 236 below market interest rate programs and whose owners will soon be eligible to opt out of providing federally assisted housing by prepaying the remaining balance on their federally insured mortgages or who will default on their federally insured mortgage. No formal cost estimates have been applied to this problem, but it poses an additional area of significant concern for the Committee.

Space station.—The administration has requested $2,050,000,000 for continuation of the space station project by the National Aeronautics and Space Administration [NASA], a 125-percent increase over the level appropriated in fiscal year 1989. The Committee believes that construction and deployment of the space station is essential for future human exploration in space, the advancement of significant scientific discoveries in space, and the overall future of America's space program.

The level requested by the administration for fiscal year 1990 is necessary to guarantee that the total cost of the station does not needlessly increase due to inflation in the outyears, as well as keep NASA's current schedule of having a permanently manned capability by late 1996. Funding an increase as large as that proposed by the administration, however, will hinge largely on the level of resources allocated to the subcommittee for discretionary spending programs.

Wastewater treatment construction grants.—The administration proposes a 38-percent reduction in the Environmental Protection Agency's Wastewater Treatment Construction Grants Program, from $1,950,000,000 in fiscal year 1989 to $1,200,000,000 in fiscal year 1990. The Construction Grants Program is the major Federal program for addressing the needs of States and localities to meet federally mandated water quality standards. The administration's request comes at a time when EPA's own survey suggests that future construction grants' needs in the United States will run as high as $83,500,000,000.

Savings and loan crisis.—Since the subcommittee is responsible for oversight of the Nation's housing and mortgage finance industries, including setting the annual limit on administrative expenses for the Federal Home Loan Bank Board, its fiscal year 1990 needs could be significantly affected if interest payments on the bonds issued under the administration's bailout plan are scored to the Committee on Appropriations. The administration estimates that the cost to the Treasury from their plan will be at least $40,000,000,000, with other estimates ranging far higher.

Since the administration has yet to submit its views on how Federal interest payments are to be scored on the bonds issued by the new Resolution Financing Corporation [ReFCorp], the Committee is unable to determine what additional fiscal year 1990 financial needs it will have that result from the resolution of this crisis.

Scorekeeping issues

There are three major scorekeeping issues within the subcommittee's fiscal year 1990 bill of which the Committee takes special note.

Assisted housing—(a) incremental units.—This year, for the first year in the Committee's recollection, the Office of Management and Budget has failed to include in their projection of current services for assisted housing any funding for new incremental housing units at the level at which they were funded in fiscal year 1989. While OMB's policy baseline may not include any funds for new assisted housing units, the Committee believes it is misleading to suggest that the projected current services baseline for this account should not include allotment for new assisted housing units unless Congress passes legislation reversing this policy. The effect of OMB's calculation is to reduce the current services baseline in this account by $1,400,000,000.

(b) Contract renewals.—The Congressional Budget Office, on the other hand, has not included in their current services baseline any funds to renew the 23,644 rental contracts which expire in fiscal year 1990. To renew these contracts for the same length of time and in the same form as they were originally made will cost $1,100,000,000 in fiscal year 1990. The administration proposes replacing these contracts with 5-year vouchers at a cost of $667,000,000 in fiscal year 1990.

Section 202 loan sales.—The administration's fiscal year 1990 budget assumes enactment of legislation that would authorize HUD to sell section 202 elderly and handicapped loans to private lenders. The administration estimates this would offset $500,271,000 in new outlays in fiscal year 1990. The Committee does not believe that these sale proceeds should be assumed in HUD's budget unless and until legislation authorizing the sale of these loans is enacted, particularly in light of the controversy this policy change would generate.

In addition, as an asset sale, the Committee notes it would receive no credit under the terms of the Gramm-Rudman-Hollings law for any outlays generated from such loan sales. Therefore, it would seem inconsistent to score the subcommittee's bill as if in fact it did receive credit.

NASA payments to the Federal Financing Bank.—The administration has proposed new scorekeeping which will reduce the subcommittee's available budget authority by $174,435,000 due to NASA's repayment of loans to the Federal Financing Bank used to develop the Tracking and Data Relay Satellite System [TDRSS]. This is a departure from current policy and the Committee does not believe this budget authority offset should be assumed in displays of the fiscal year 1990 budget request, and therefore has not done so.

FISCAL YEAR 1990 BUDGET ESTIMATES

Department of Veterans Affairs.—The administration is requesting a total of $28,616,115,000 for the newly created Department of Veterans Affairs, the Federal department responsible for providing benefits and services for the Nation's 27,300,000 veterans. The administration's fiscal year 1990 request represents an increase of less than 2 percent over the current budget.

The budget would provide $16,268,546,000 for mandatory benefit programs, a 5-percent decrease below the current year. The Committee believes this estimate is deficient by as much as $1,200,000,000.

The budget proposes $11,029,782,000 for medical programs, up less than 2 percent over the current budget. The budget request would underfund medical care by as much as $1,300,000,000 according to some estimates. As a result of the funding shortfalls in veterans medical care, category B and C veterans in many VA hospitals are being denied care altogether.

Without a substantial increase over the President's fiscal year 1990 request, it will be extremely difficult for the Committee to fund a congressionally mandated VA medical personnel level of 194,720 employees. It will also be extremely difficult to curtail some of the drastic cuts in services which are currently taking place in medical centers nationwide. Among the other outstanding VA medical care funding needs are: funds for special salary rates for nurses and other professional employees; and for an equipment backlog of close to $400,000,000. The Secretary-designate has recognized a portion of this shortfall in requesting that $512,000,000 be added to the budget request for medical care to support an employee level of 191,287.

The Committee also understands that there is a shortfall of as much as $620,000,000 in the current fiscal year's medical care budget. The Secretary-designate has appealed to the President to reverse a decision by the Office of Management and Budget not to submit a supplemental appropriation of $314,000,000 in fiscal year 1989. No decision has been made on that issue by the White House.

Construction programs would total $487,623,000 in the administration's budget, down 2.6 percent from the current budget. An additional $35,000,000 over the current administration request would provide a current services level of funding for construction programs. The Secretary-designate has requested an additional $85,400,000 in the major construction account for projects in Nashville, TN, and Temple, TX, as part of his proposed budget amendment for the fiscal year 1990 budget.

The budget proposes $830,164,000 for general operating expenses, an increase of 6 percent above the current budget. This is about $8,000,000 less than that estimated to be a current services level of funding. The Secretary-designate has asked for a $10,000,000 budget amendment to provide 244 additional staff for the home loan guaranty program. He has also requested a $10,000,000 appropriation for fiscal year 1989 to provide the Department of Veterans Benefits with 12,650 employees. The Committee understands that the Department of Veterans Benefits is in desperate need of additional funds to meet payroll requirements to support employment levels stipulated by law.

Department of Housing and Urban Development.—The administration has proposed a budget of $12,664,373,365 for the Department of Housing and Urban Development [HUD]. The Committee suggests that $15,259,834,365 would be necessary to continue most programs at current levels and to augment a few significant activities.

The administration's assisted housing request is $7,592,594,365. An additional $1,375,200,000 is needed to continue the programs funded through this account at current services levels. This total includes $1,092,800,000 for the replacement of expiring housing contracts with renewal contracts that cover the same term as the expiring contracts. It does not include $500,000,000 for public housing lead-based paint abatement activities that will ultimately cost billions of dollars.

The public housing operating subsidy request understates actual needs by $173,300,000. A total of $1,867,500,000 is needed for this program in the coming fiscal year. In addition, the administration has proposed reducing public housing modernization by $600,000,000 in fiscal year 1990 from $1,600,000,000 to $1,000,000,000. Private sector studies suggest that the need for modernization of the Nation's public housing stock is as high as $20,000,000,000, and HUD's own internal estimates cite the need to be $10,000,000,000. As a result of this enormous need, the Committee believes that $2,000,000,000 for public housing modernization is a necessary target for fiscal year 1990.

The Committee believes that $241,000,000, the full amount authorized by law, should be provided for homeless programs not funded through the assisted housing account. While no formal budget amendments have been submitted by the administration to fully fund the McKinney Act, OMB has indicated that additional funds will be requested for this purpose.

Last year the Congress provided $3,000,000,000 for the Community Development Block Grant [CDBG] Program with $350,000,000 of the total coming from rehabilitation loan and flexible subsidy fund transfers. This year the administration is requesting $2,786,000,000 for the program with $136,000,000 coming from transfers from the rehabilitation loan fund and the Urban Development Action Grant Program. It is unlikely that the Congress will permit these transfers to take place and the Committee recommends that $3,000,000,000 in direct appropriations be provided for the CDBG Program in fiscal year 1990.

Only $32,000,000 is requested in fiscal year 1990 for the section 202 elderly and handicapped housing construction program. The administration proposes to replace the current direct loan approach with a credit voucher program. The Committee believes that an additional $477,761,000 would be required to continue the existing loan program at the current level of 11,264 reservations per year in view of the slim likelihood that the new proposal will be enacted into law.

The administration has provided no funding in fiscal year 1990 for the congregate services, housing counseling, and Nehemiah housing opportunity grant programs. The Committee recommends that the congregate services and housing counseling programs be funded at their current levels of $5,400,000 and $3,500,000, respectively, and that support for the Nehemiah program be doubled in the next fiscal year to $40,000,000.

Finally, the Committee recommends that the Urban Homesteading Program be supported at its present level of $13,200,000, an increase of $1,200,000 above the budget request.

National Aeronautics and Space Administration.—It is the Committee's view that funding to maintain a vigorous and effective National Civilian Space Program requires a fiscal year 1990 appropriation of not less than $13,273,995,000. This is the level proposed in the budget request of both President Reagan and President Bush.

In addition to this amount, it is likely that the Congress will require funding for continuation of: the Advanced Communications Technology Satellite ($76,000,000); direct Federal development and construction of facilities and systems proposed to be funded through private commercial initiatives in the President's budget ($355,000,000); continued development of the gravity probe B experiment ($25,000,000); and continued definition and design efforts on an unmanned heavy-lift version of the space shuttle system ($50,000,000).

Although the Committee's estimate of NASA requirements represent a substantial increase in new budget authority over the levels provided in fiscal year 1989, these costs are almost all directly associated with on-going programs and projects. Termination or significant curtailment of these efforts will result in the loss of substantial prior year investment, dissolution of key scientific and engineering teams, probable increases in total program costs, and will cripple efforts to maintain international leadership for decades to come.

The Committee intends to rigorously scrutinize proposed NASA activities, and to delete or reduce lower priority items. It is unlikely, however, that substantial savings will be found except at the cost of previously planned and authorized science and technology initiatives. Furthermore the Committee is mindful that while near-term development costs can be deferred or eliminated, these actions jeopardize strategic plans, make impossible sound life-cycle cost management decisions, and increase the possibility of costly schedule delays. Each of these concerns have been studied by the General Accounting Office, and the Committee is determined to provide sufficient resources and oversight to correct deficiencies in NASA performance.

The Committee is also aware of very constrained civil service staffing levels at NASA which may lead to inadequate contract management and technical oversight. Furthermore, other aspects of the agency's infrastructure, especially deferred maintenance of buildings and facilities and replacement of obsolete equipment, must be addressed to maximize efficient and effective operations. The Committee intends to carefully review the agency's budget and program plans to assure progress in addressing these serious problems.

National Science Foundation.—For the National Science Foundation, the Committee believes that the President's full budget request of $2,149,022,000 for fiscal year 1990 should be appropriated. This is a 14-percent increase over the level provided for the current budget. This agency is the central focus for basic science and engineering research in the United States and is crucial to advancing the Nation's competitive position relative to the aggressive and concerted programs of our global trading partners.

In addition to the conduct of research, NSF also serves as the lead Federal agency in the development and promotion of exemplary science and mathematics educational material and curricula. This effort seeks to redress the alarming erosion in the performance of American students in these subjects which serve as the basis for understanding and working with the advanced technology which underpins our economic future.

It is the Committee's view that the relatively small sums invested in maintaining the Nation's science and technology base must be significantly expanded in a multiyear plan as has been proposed by both the Reagan and Bush administrations. Although all Federal activities are facing unprecedented budgetary constraints, it is even more critical that we now make these investments for our Nation's economic future. Educational programs and long-term basic research, by their nature, do not yield immediate returns. It is clear, however, that failure to adequately support such activities will leave our Nation, in the decades to come, bereft of the talent and technology needed to sustain our economic position in a highly competitive global environment.

Environmental Protection Agency.—The administration is proposing a budget of $4,883,000,000 for the Environmental Protection Agency, a reduction of $272,000,000 below fiscal year 1989. The Committee suggests that an additional $900,000,000 is needed to maintain most programs at current levels and to increase funding in a few areas.

The budget request proposes increasing funding for the Environmental Protection Agency's operating programs by 5 percent over the current budget. The budget includes significant increases for the radon program, ozone nonattainment policy, global climate change program, water quality grants, public water system grants, hazardous waste activities, and enforcement.

Once again the administration is not proposing funding for the asbestos loans and grants program, for which the Congress added $47,500,000 in the current fiscal year. The Committee believes there will be pressure to fund this program at current levels.

The administration's budget includes $1,200,000,000 for waste treatment construction grants, half the authorized level and $750,000,000 less than the current year's budget. The Committee believes that waste treatment construction grants should be funded at a level of $2,100,000,000.

The Superfund Program would be funded at $1,750,000,000, up $325,000,000 in new budget authority over fiscal year 1989. The budget request reflects a considerable increase in new starts planned for fiscal year 1990 as well as a beefed-up enforcement program.

The Leaking Underground Storage Tank Program would double to $100,000,000, 90 percent of which is targeted for grants to States.

Federal Emergency Management Agency.—The Committee proposes a budget of $826,273,000 for the Federal Emergency Management Agency, an increase of $30,000,000 above the administration's request. This added support would be used to maintain fire and training programs at current levels and to fund the emergency food and shelter program at the authorized figure of $134,000,000.

While it is anticipated that the administration will submit a budget amendment to fully fund FEMA's homeless program, it has not yet been submitted. In addition, the Reagan administration proposed transferring FEMA's homeless program to HUD. It remains unclear if the Bush administration will take the same position.

FISCAL YEAR 1989 SUPPLEMENTALS AND RESCISSIONS

Supplementals.—The administration is proposing a fiscal year 1989 supplemental appropriation of $1,035,493,000 for the Department of Veterans Affairs. To date, all requested supplementals for fiscal year 1989 are in mandatory programs.

For mandatory compensation payments, $622,549,000 is needed to cover the 4.1 percent cost-of-living adjustment provided to compensation recipients effective December 1988. A total of $65,700,000 is required to provide increased pension benefit levels. For burial benefits, $13,232,000 is needed to meet a higher workload estimate and the increase in maximum service-connected allowances. To implement new legislation and to provide for an increased caseload, $22,212,000 is required for readjustment benefits. Finally, the administration is calling for $311,800,000 to fund obligations associated with higher than anticipated home foreclosures and loan repurchases.

As stated earlier, the Secretary-designate of the Department of Veterans Affairs has requested a fiscal year 1989 supplemental of $324,400,000 for medical care and general operating expenses. This request, however, is pending before the administration.

Rescissions.—The administration has proposed a rescission of $20,000,000 of the fiscal year 1989 appropriation for the Nehemiah Housing Opportunity Grants Program. In addition, the administration proposes transferring $51,651,000 in recaptured prior obligations under the Urban Development Action Grants [UDAG] Program to the CDBG Program in fiscal year 1990 and rescinding all other UDAG recaptures. The Committee strongly opposes these proposed rescissions and understands that the Bush administration will withdraw the request for this rescission.

CREDIT ACTIVITIES

The administration is proposing a reduction of $29,000,000,000 in the limitation on Federal Housing Administration guaranteed loans and $69,000,000,000 in guarantees of mortgage-backed securities by the Government National Mortgage Association. These cuts of as much as 48 percent would adversely affect the real estate market if interest rates decline sharply. However, the proposed limitations should be adequate if interest rates remain stable or increase.

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March 14, 1989

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Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete:

In accordance with the provisions of Section 301(d) of the Congressional Budget Act, we are forwarding the recommendation of the Committee on Armed Services for the National Defense function for FY1990, FY1991 and FY1992.

As you know, President Bush has submitted a preliminary revised request for FY1990 of $309.2 billion in budget authority and $300.6 billion in outlays for the National Defense function. For FY1991 the President is requesting $321.2 billion in budget authority and $308.8 billion in outlays, and for FY1992 the figures are $332.5 billion in budget authority and $317.2 billion in outlays.

The Armed Services Committee supports the overall level of spending proposed by the President for National Defense for FY1990, FY1991 and FY1992.

However, if the Budget Committee finds that the urgency of the deficit problem requires reductions in defense, either in the Budget Resolution or in a budget summit agreement with the Administration, we believe these reductions should be made in a comprehensive package that addresses all parts of the budget, including entitlements. Furthermore, as we have noted in previous years, the first year outlay rate for any reductions you may find it necessary to make in National Defense budget authority should be about 40%. This would allow the Armed Services and Appropriations Committees the flexibility to choose the appropriate mix of programs on the basis of our national security requirements.

The Congressional Budget Office has reestimated the outlays associated with the President's revised FY1990 request. Using CBO's estimating methods, National Defense outlays would exceed Administration estimates by about $4 billion per year over the next four fiscal years. The Committee is concerned that technical estimating differences might drive National Defense budget authority decisions. In the past, differing outlay estimates have contributed to mismatched budget authority and outlay targets. The result has been an emphasis on budgetary gimmicks and short term solutions. We hope that the Budget Committee will take this into account when formulating the National Defense budget authority and outlay targets in the Budget Resolution.

The Committee and the Administration both support biennial budgeting. However, the Committee is concerned that the difficulty of meeting the Gramm-Rudman-Hollings deficit target in FY1991 will once again make it difficult to achieve a full two-year agreement for the National Defense portion of the budget. According to CBO, the deficit in the President's budget revision exceeds the deficit target by $45 to $60 billion in FY1991, depending on the savings and loan issue. We strongly encourage the Budget Committee to establish a comprehensive agreement, consistent with the Gramm-Rudman-Hollings deficit targets, for a two year period so that a biennial budget for defense is feasible.

In making this recommendation, we want to point out the following caveats:

1. The Committee's recommendation is based on what we believe at this time is a justifiable level of spending for National Defense. We have not yet received a detailed budget revision for defense programs. Although the Committee's review may find some savings from the President's request, there may also be some items that are underfunded. For example, while the President's budget requests a modest increase to address the nuclear cleanup problem, significantly higher funding levels will be required for many years to come if this national priority is to be dealt with effectively. As always, the Committee intends to make a full and detailed review of National Defense programs during the authorization process.

2. The Committee has not attempted to evaluate the defense request in light of other competing budget priorities and the need to meet the Gramm-Rudman targets, as the Budget Committee must.

3. The Congressional Budget Office has estimated that the deficit in the President's budget revision exceeds the Gramm-Rudman targets by $31 billion in FY1990 and $60 billion in FY1991 if the cost of the savings and loan initiative is included on-budget. If this is the case, we understand the almost impossible job the Budget Committee faces in reducing the estimated deficit in the President's budget by $30 billion or more while preserving his proposed defense funding level.

We look forward to working with you on the Budget Resolution in the weeks ahead.

Sincerely,

John

John Warner
Ranking Minority Member

Sam

Sam Nunn
Chairman

DONALD W. RIEGLE, JR., MICHIGAN, CHAIRMAN

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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

March 16, 1989

The Honorable Jim Sasser
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Pete V. Domenici
Ranking Republican
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete:

This letter transmits the views and estimates of the Committee on Banking, Housing and Urban Affairs regarding the funding of programs in our jurisdiction, as required by section 301 of the Congressional Budget Act of 1974.

Members of the Committee are deeply concerned by the continuing size of the Federal deficit and intend to apply rigorous tests of program effectiveness and efficiency to programs during the authorization process. We note that programs within the jurisdiction of the Banking Committee have already been reduced more deeply than any other comparable areas of the Federal budget. According to the Congressional Budget Office (CBO), assisted housing programs have been cut in real terms by 81 percent since 1981, and vital community development programs like the Community Development Block Grant (CDBG) have been cut by nearly 50 percent.

SAVINGS AND LOAN CRISIS

The Committee will consider legislation to resolve the current crisis within the savings and loan industry. The most recent data suggest that nearly 500 thrifts, with assets in excess of $250 billion, are insolvent, and current estimates to resolve this problem range from $50 billion to more than $200 billion depending on the time period and the economic assumptions considered.

The Administration recently proposed a legislative package to resolve the current situation at an estimated cost of $40 billion in net outlaysover the next 10 years. Some have suggested that the actual cost could be substantially higher if basic assumptions for interest rates or deposit growth during the next several years prove to be incorrect.

The Committee is deeply concerned that any legislative package provide the necessary funds to resolve the savings and loan crisis, and we have scheduled detailed hearings on this aspect of the Administration plan. Since these hearings are still in progress, the Committee is unable to provide the Budget Committee with a recommendation on the cost of this legislation at this time. However, the Committee anticipates completing its work by early April and will make its recommendation at that time.

HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS AND THE FY90 BASELINE

The Committee understands that current CBO baseline reflects Gramm-Rudman-Hollings (GRH) accounting procedures which place baseline estimates substantially below current program levels.

For example, although the current program level of the Community Development Block Grant (CDBG) program for FY89 is $3.0 billion, the CBO baseline level is $2.65 billion because transfers of $200 million from the 312 program and $150 million from flexible subsidies are not included as part of that estimate. Hence, the CBO baseline for CDBG in FY90 is only $2.8 billion or about $200 million below the current program level.

This problem is particularly acute in the area of subsidized housing. By 1995 nearly 1 million of existing rental assistance contracts, which provide reduced rents for lower income Americans, will expire. Yet, the CBO baseline makes no assumption that such contracts will be replaced. However, if these contracts are not replaced, millions of low income families will be without housing.

Other programs within the Committee's jurisdiction that are adversely affected by this procedure include the National Flood Insurance Program and disaster relief.

The Committee believes that adjustments should be made in the Budget Committee's markup baseline to adequately reflect current program levels and needs for these programs.

McKINNEY HOMELESS ACT

The majority of Committee members fully supports the Administration's request to fully fund the Stewart B. McKinney Homeless Assistance Act. According to CBO, to fully fund the programs within the Committee's jurisdiction will require an additional $112 million in Budget Authority for FY90 and will result in additional outlaysof $18 million.

EXPORT IMPORT BANK

The Committee opposes the Reagan Administration proposal to eliminate the Export-Import Bank's direct loan program. This program plays an important role in enabling U.S. exporters to obtain competitive financing in order to win sales against foreign companies in many important markets. The program is of particular importance to companies competing for sales in certain LDC countries, where private lenders are reluctant to provide needed credits.

The Bush Administration has now indicated its willingness to preserve the direct credit program. OMB Director Darman has written that the Bank "is included in a large group of programs that, in the aggregate, the President proposes to freeze at the 1989 levels." We welcome this change and support continuation of direct lending in FY90 in an amount at least equal to the $695 million included in the FY89 budget.

HOUSING INITIATIVE

The Committee also expects to consider a major housing initiative that will constitute the first major reform of national housing policy in 20 years. The legislation will seek to improve home ownership opportunities for young families; expand the supply of housing affordable to low and moderate income Americans; preserve the existing stock of Federally assisted housing; and expand the Federal commitment to provide adequate housing for people with special needs -- particularly the elderly, the handicapped, and the homeless. Funding for this new initiative will be achieved in part by termination and consolidation of current programs.

The Committee anticipates that the total cost of the proposed bill will require an additional $3.1 billion in budget authority over the FY90 baseline.

We trust that this information is helpful to the Budget Committee as it prepares the Concurrent Resolution on the Budget for Fiscal Year 1990. We look forward to working with you to address these concerns.

Sincerely,

Jake

Don

Jake Garn
Ranking Minority Member

Donald W. Riegle, Jr.
Chairman

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United States Senate
COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

March 31, 1989

The Honorable James Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Republican
U.S. Senate Committee on the Budget
Washington, D.C. 20510

Dear Jim and Pete:

This letter is in response to your request for the Committee on Commerce, Science and Transportation to submit its report pursuant to Section 301(d) of the Congressional Budget Act.

The Committee will address several areas of ongoing concern during the 101st Congress. The fiscal year (FY) 1990 budget for agencies handling these issues will be scrutinized carefully to ensure adequate resources for implementing Committee initiatives and policies. The following is a discussion of major issues of interest.

Aviation

The Committee will continue its oversight of aviation industry development and safety. We support the President's funding increases for the Federal Aviation Administration(FAA). In this regard, flexibility must be maintained as Congress sets funding priorities within these budget totals. Airport capacity and airline safety, including issues relating to aging aircraft, require adequate and timely funding.

Specifically, with respect to FAA Operations and Maintenance, increases are requested to ensure adequate staffing to handle safely expected increases in aircraft operations. The President's request provides for the addition of 695 air traffic controllers (to a FY 1990 total of 17,495), 400 aviation inspectors and support staff, and 120 aviation security personnel in FY 1990.

With respect to FAA Facilities and Equipment, the recommended increase is to fund planned equipment procurement and its installation in the air traffic control system. FY 1990 funding increases are needed to continue the multi-year National Airspace System Plan and other projects critical to the FAA's effort to handle safely projected increases in air traffic.

Examples of projects to be funded in FY 1990 include the Advanced Automation System (the FAA's future air traffic controller computer/work station), Voice Switching and Control System, terminal doppler weather radars, and remote maintenance monitoring.

Finally, on the Airport Improvement Program (AIP), we believe that, because of shortages in airport capacity and major delays in our air transportation system, outlay levels for the Program be significantly increased over FY 1989 levels. Specifically, we recommend that the obligation ceiling on outlays, which are scored to the Appropriations Committee, be set at a level that equals the authorization levels established in P.L. 100-223, or $1.7 billion in FY 1990. This is the amount included in the CBO baseline for AIP budget authority, which has been scored properly to the Commerce Committee.

Coast Guard

We continue to be concerned that the Coast Guard is funded adequately to carry out its many and varied missions.

With respect to the Coast Guard's Operating Expenses(O&E) account, the Administration has proposed $2,242 million in spending authority compared to the CBO baseline of $2,115 million. In both operations and capital programs, this budget emphasizes funding for Coast Guard's drug law enforcement effort, while maintaining Coast Guard's strong commitment to maritime safety, fishery law enforcement, and marine environmental protection. We note that the Administration's proposed increase is due in part to the consolidation of funding for the Coast Guard. Coast Guard programs have been funded through Function 050 and other sources in previous years.

To fund the Coast Guard's operating expenses, $30 million could be transferred from the Boat Safety Account to the Operating Expense Account. Accordingly, we recommend new budget authority of $2,212 million in FY 1990, $30 million less than the President's request.

For the Coast Guard's Acquisition, Construction and Improvements (AC&I) account, the Administration has proposed $682 million in new spending authority compared to the CBO baseline of $402 million. This Administration proposal would enable the Coast Guard to maintain the capital plant necessary to carry out its numerous missions. In addition, the request includes $244 million for acquisition of a replacement polar icebreaker. While supporting such replacement, we believe that consideration should be given to the potentially less expensive option of leasing, rather than buying, an icebreaker. The Committee intends to review the "lease versus buy" issue. In any event, we believe that it is important that the Coast Guard obtain an icebreaker and thus supports the Administrations's AC&I level of $682 million.

Oceans and Atmosphere

Another issue of major bipartisan concern to this Committee is global climate change. The Committee is currently conducting a series of hearings on the issue and expects to report legislation to improve federal research coordination and develop long-term solutions to some of these environmental dilemmas.

In that light, the funding cuts proposed by the Administration for the National Oceanic and Atmospheric Administration(NOAA) are troubling. NOAA must maintain adequate funding for its traditional satellite, oceans and fisheries programs. The FY 1990 budget must also allow flexibility in funding new initiatives as defined by this Committee.

For example, for NOAA's Operations, Research, and Facilities(ORF) account, the Administration has proposed new budget authority of $1,076 million in FY 1990. However, we support continuation of NOAA's current services which CBO estimates will require an ORF level of $1,330 million.

In addition, we believe that we must maintain our current weather forecasting capability and continue our efforts to modernize outmoded weather service technology and equipment. This modernization is essential for improving the National Weather Service's ability to predict severe weather and to produce life-saving and damage-reducing warnings. To maintain our current weather stations and advance modernization will require an increase in FY 1990 of $89 million.

We also believe that it is important to maintain the procurement schedule for our environmental satellites (GOES, POES, LANDSAT) and to fund adequately data management and ground support systems. For FY 1990, this will require an increase of $85 million.

Last fall, Congress completed action on legislation to address growing concerns about the impact of fishing activities on marine mammal populations. The legislation calls for increased efforts to identify and quantify marine mammal-fishery interactions, and will require a funding increase of $10 million in FY 1990 for implementation.

Finally, we endorse the Administration's initiatives in climate and global change and coastal ocean science. These efforts build upon ongoing NOAA programs in oceanic and atmospheric monitoring and information management. For FY 1990, funding these initiatives will require $23 million.

Thus, NOAA will require a funding increase of $207 million over the CBO baseline of $1,330 to meet these obligations and to continue present programs at the existing level of effort. This would mean new budget authority of $1,537 million for the ORF account in FY 1990. We note that any amount less than that must allow for flexibility in setting funding priorities within overall budget totals.

Space, Science and Technology Competitiveness

There is strong bipartisan Committee interest in competitiveness issues. As we battle an FY 1988 trade deficit of $137 billion, Congress must strengthen America's traditionally competitive industries and encourage high-tech research and commercial applications of that research in new industries.

1. National Aeronautics and Space Administration (NASA)

The President has requested a FY 1990 budget of $13.3 billion for NASA. We support the President's FY 1990 budget request, the proposed increase of $1.9 billion in FY 1990 over the CBO baseline for NASA space activities in Function 250 and the proposed $80 million increase for NASA aeronautic programs in Function 400 -- 92% of the proposed increase is to support ongoing programs.

We also support the two new starts proposed in the President's budget, the CRAF/Cassini missions in Function 250 and the High Speed Civil Transport initiative in Function 400. Furthermore, we endorse a FY 1991 new start for the Earth Observing System (EOS), which is not reflected in the President's budget, but will be an integral part of the Space Station's polar platform.

Based on the President's budget request for FY 1990-1992 and NASA's projections for FY 1993 and 1994, we would like to note that between FY 1990 and FY 1994, NASA will require a $17 billion increase over the CBO baseline to fulfill its mission as currently defined. The Space Station program alone will require an increase of $11 billion over the CBO baseline between FY 1990 and FY 1994 if it is to be deployed by FY 1996.

We have taken no position with respect to the $208 million in private financing proposed in the Administration's FY 1990 budget request. We assume that if the Congress rejects this proposal, it will be necessary to absorb these costs in the final allocation for NASA. Also, we take no position with respect to the request of $400 million in FY 1993/1994 for a lease of a commercially developed space facility (CDSF). The Committee will review reports on financing options and the technical design of a CDSF pursuant to the FY 1989 NASA Authorization bill prior to any decision.

In FY 1990, the CBO baseline assumes that NASA's FY 1990 payment of $174 million to the Federal Financing Bank for the Tracking and Data Relay Satellite System should be scored in Function 900, entitled "net interest." This is the first time this payment has been scored in this manner. We do not object to this scorekeeping change as long as these funds continue to be crosswalked to the Appropriations Committee.

We believe that NASA's activities are essential to our technological leadership in space and the competitive position of the domestic aerospace industry. Aerospace is our leading net exporter, but in 1987 we experienced a trade deficit for high technology industries for the first time ever. Accordingly, we endorse the President's requested increases in Functions 250 and 400.

2. National Science Foundation (NSF)

We support the requested increase by the Administration for NSF. We must broaden our industrial research base and upgrade our university research facilities if we want the United States to be a player in emerging technologies such as superconductivity and high definition television.

The National Science Foundation Authorization Act of 1988 (P.L. 100-570) endorses the Reagan Administration proposal to double the NSF budget by 1993, and President Bush has endorsed the Reagan Administration's FY 1990 request for the agency. This proposal will produce the new basic research and new scientists and engineers that the nation needs in order to remain competitive in world markets.

The Committee shares jurisdiction with the Committee on Labor and Human Resources over three NSF accounts -- research, Antarctic, and research facilities accounts. The agency's fourth account, science and engineering education, remains under the sole jurisdiction of the Labor Committee.

3. National Institute for Standards and Technology (NIST)

In view of our concerns about technology competitiveness, budget cuts proposed by the Administration for NIST must be reviewed carefully. The Technology Competitiveness Act (sections 5101-5164 of the Omnibus Trade and Competitiveness Act of 1988, P.L. 100-418) reorganized the Commerce Department's National Bureau of Standards into NIST and gave the agency new authorities to provide research and technical services that will help U.S. industry speed the commercialization of new products and strengthen the U.S. position in world markets. Under the new act, NIST can assist industry in three ways: 1) continued in-house research, which provides companies with precise quality assurance techniques and new production processes in a wide range of technical fields; 2) technology extension activities; and 3) a new Advanced Technology Program which encourages and, in selected cases, can assist financially new corporate research consortia and other industrial research efforts.

In an era when U.S. leadership in commercial technology is eroding, and when major trading partners spend a far higher percentage of national GNP on commercially-related research, NIST needs adequate funding for its traditional mission of basic research. Also, we believe that targetted expansion of all three of the NIST programs under the Technology Competitiveness Act are essential to the future prosperity and security of the Nation and will be considering them in the context of comprehensive legislation on technology competitiveness. In this regard, increased spending for in-house research and technology extension of up to $40 million in FY 1990 will be discussed.

In addition, during the first session of the 101st Congress, we will discuss new spending of up to $100 million and credit authorizations to activate the Advanced Technology Program, to strengthen laboratory to industry technology transfer so necessary to economic competitiveness. We will consider using the Advanced Technology Program to encourage and assist industrial consortia in such critical fields as advanced electronics and television, high-temperature superconductivity, manufacturing, and optoelectronics. Any such technology support would help create new American products, profits, and jobs. However, developing this basic technology may be beyond the financial means of any one American company or even group of companies, making a consortium an appropriate way to proceed.

Under the provisions of the Technology Competitiveness Act, the most that the Secretary of Commerce may contribute to any such consortium is seed money or a minority share of the consortium's costs. This means that, before the government considers obligating Federal funds for a consortium, the group's members must raise private funds greater than any such proposed government contribution.

Deficit Reduction Proposals

With regard to Administration revenue reduction proposals under this Committee's jurisdiction, we note that a number of these proposals, such as the sunset of the Interstate Commerce Commission, the elimination of the Amtrak subsidy, and the elimination of the Public Telecommunications and Facilities Program, have been submitted in past years and have found little support. Similarly, Coast Guard user fees and fishing license fees have been considered and rejected by the Congress.

The Administration's proposal to raise $3.4 billion in two years through a spectrum auction is of interest to some Committee Members. However, it is unlikely that such a large sum could be raised even if the Committee overcomes considerable opposition, ranging from broadcasters to rural telephone companies. CBO estimates revenue from such an auction in the range of $500 million over two years, a considerably different estimate from that of OMB. It should be noted that this Committee has limited ability to raise large sums through fees or asset sales. We should remember that the sale of Conrail in 1986 raised $1.7 billion.

In conclusion, this Committee remains committed to responsible deficit reduction while maintaining adequate funding for those priority programs under its jurisdiction. We look forward to working with the Budget Committee as the FY 1990 budget resolution is considered.

With warm regards, we are

Sincerely,

Jack Danforth
John C. Danforth
Ranking Republican

Fritz Hollings
Ernest F. Hollings
Chairman

J. BENNETT JOHNSTON, LOUISIANA, CHAIRMAN

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United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510-6150

March 8, 1989

The Honorable Jim Sasser
Chairman
The Honorable Pete Domenici
Ranking Republican Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Senators Sasser and Domenici:

Enclosed is the report of the Committee on Energy and Natural Resources including the "Views and Estimates" of the Committee for Fiscal Year 1990 for portions of the Federal budget under the Committee's jurisdiction as required by section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended. The recommendation of the Committee was approved on March 8, 1989, by a vote of 19 ayes and 0 nays with a quorum present.

As outlined in the report, the Committee recommends to the Budget Committee that programs within its jurisdiction be funded in Fiscal Year 1990 at an aggregate current services level. As you requested, the report addresses new initiatives the Committee contemplates pursuing during the year, as well as our recommended level of spending. The report also comments on the budget initiatives included in the President's proposed budget for FY 1990. Many of these initiatives have been proposed in the past and rejected. In general the Committee does not support the major changes in energy and natural resources programs.

On behalf of the Committee, we look forward to working with you and the other members of the Committee on the Budget to achieve early Congressional approval of the Concurrent Resolution on the budget for Fiscal Year 1990.

Sincerely,

James A. McClure
Ranking Minority Member

J. Bennett Johnston
Chairman

COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

RECOMMENDATION ON FISCAL YEAR 1990 BUDGET

MARCH 8, 1989

BACKGROUND

Section 301(d) of the Congressional Budget and Impoundment Control Act, as amended, requires the Committee on Energy and Natural Resources to submit to the Committee on the Budget its "Views and Estimates" for fiscal year 1990 of the portions of the Federal budget under its jurisdiction.

The Committee approved the following recommendation on March 8, 1989, in an open business meeting by a vote of 19 ayes and 0 nays, with a quorum present. Senators Wirth and Domenici submitted additional views which are appended to this report.

As requested by the Budget Committee, the report addresses three areas: new legislative initiatives, deficit reduction proposals, and comments on the President's budget.

SUMMARY RECOMMENDATION

The Committee recommends that programs within its jurisdiction be funded in fiscal year 1990 at an aggregate current services level as estimated by the Congressional Budget Office (CBO), although specific authorization levels within that aggregate may change. The Committee recommendation covers both direct spending program levels and credit program levels. The table on page two shows the Committee recommendation along with FY 1989 appropriations, the FY 1990 CBO current services baseline, and the President's proposed FY 1990 budget. Each total is disaggregated by budget function. (In this report, the "President's budget" is the budget submitted by President Reagan as modified by President Bush on February 9.)

The Committee also recommends that programs within its jurisdiction be funded at an aggregate current services level for FY 1991 through FY 1994.

The Committee recommendation is accompanied by a table (Appendix A) that includes appropriations accounts either wholly or partially within the jurisdiction of the Committee. As in years past, some of these accounts have not been included on the list of accounts furnished the Committee by the Budget Committee. The Committee observes that there continue to be discrepancies in the accounts listing even though it is not crucial to submission of this Views and Estimates report. There have been continuing efforts at the staff level to resolve these discrepancies. The Committee hopes that these efforts will result in a satisfactory conclusion.

RECOMMENDATION

COMMITTEE ON ENERGY AND NATURAL RESOURCES FISCAL YEAR 1990 BUDGET 1/

(Millions of dollars)

BUDGET FUNCTION		FY 1989 APPRO-PRIATIONS	FY 1990 CBO CURRENT SERVICES	FY 1990 PRESIDENT'S PROPOSED BUDGET	FY 1990 COMMITTEE RECOMMEND. BUDGET
(250) GENERAL SCI. SPACE, & TECH	BA	1,053	1,096	1,325	1,096
	OT	1,012	1,086	1,244	1,086
(270) ENERGY	BA	5,006	5,758	4,763	5,758
	OT	4,810	4,599	4,614	4,599
(300) NATURAL RES. AND ENVIRO.	BA	5,929	6,338	5,550	6,338
	OT	5,781	6,205	5,732	6,205
(400) TRANSPORTATION	BA	5	6	0	6
	OT	33	34	33	34
(450) COMMUNITY & REGIONAL DEVELOPMENT	BA	6	6	18	6
	OT	13	24	36	24
(800) GENERAL GOVT.	BA	1,388	1,377	1,206	1,377
	OT	1,392	1,396	1,265	1,396
TOTAL	BA	13,387	14,581	12,862	14,581
	OT	13,040	13,344	12,924	13,344

1/ Figures for the President's budget are from CBO computer files dated 2/08/89 and do not reflect changes proposed by President Bush. Figures for Current Services are from CBO computer files dated 2/12/89. The figures here are based on all budget accounts for which the Committee claims sole or shared jurisdiction.

NARRATIVE STATEMENT ON RECOMMENDED SPENDING LEVELS

MAJOR NEW INITIATIVES

ENERGY

Advanced Nuclear Reactor Research and Development

The Committee may consider legislation restructuring the nuclear energy research, development and demonstration program of the Department of Energy. This is the program that, among other things, is responsible for the development of advanced civilian nuclear reactor technologies that exhibit passive safety features, modular design, and other characteristics considered desirable to improve the acceptance by the public, by utilities, and by investors of nuclear power as an electricity source in the future.

In the 100th Congress, S.2779, a bill addressing these issues, was introduced by Senator Johnston and referred to the Committee. Similar legislation will be introduced in the 101st Congress. It is not anticipated that this legislation will have a budgetary impact in fiscal year 1990.

Waste Isolation Pilot Plant

The Committee will consider legislation to permanently withdraw from the jurisdiction of the Department of the Interior certain lands in Eddy County, New Mexico and to place the lands under the jurisdiction of the Department of Energy for operation of the Waste Isolation Pilot Plant (WIPP). The WIPP is a deep underground repository for research and development on methods for disposal of transuranic radioactive wastes produced in the Department's nuclear weapons program. In the 100th Congress the Committee reported S.1272 (Senate Report 100-522) to provide for this land withdrawal. The bill was not considered by the full Senate. Withdrawal legislation will be reintroduced in this Congress. The Administration may also submit legislation to Congress providing for withdrawal of these lands.

The budgetary impacts of the legislation as reported by the Committee in the last Congress included the authorization of $200 million in fiscal year 1989 for the construction and upgrading of highways in New Mexico and an annual direct spending payment of $10.1 million to the State of New Mexico by the Secretary of the Interior for the next five years from the federal share of mineral leasing receipts.

If legislation is reported by the Committee to provide for this land withdrawal, it may have a budgetary impact in fiscal year 1990.

Renewable Energy and Energy Efficiency Technology Competitiveness Act

In the 100th Congress, the Committee reported S.1554, the Renewable Energy and Energy Efficiency Technology Competitiveness Act. Similar legislation has been introduced in the 101st Congress (S.488). The purpose of this legislation is to establish stable funding levels for Department of Energy programs in renewable energy and energy efficiency research, development, and demonstration.

It is not anticipated that legislation would have a budgetary impact in fiscal year 1990.

Uranium Enrichment Corporation

The Committee will address the status of the uranium enrichment enterprise in its consideration of S. 83 and Amendment No. 6. The Committee reported similar legislation on October 1, 1987 (S.1846, Senate Report 100-214) and February 25, 1988 (S.2097). Enrichment legislation was passed by the Senate on March 30, 1988 and August 8, 1988. The Committee is also expecting to address uranium enrichment legislation that will be sent to the Congress by the Administration pursuant to President Bush's FY 1990 budget request.

The purpose of S. 83, as amended by Amendment No. 6, is to establish a wholly-owned Government corporation to manage the Nation's uranium enrichment enterprise. In addition, this legislation establishes the unrecovered costs of the enrichment program at $364 million. In addition, an amendment is anticipated dealing with revitalization of the domestic uranium mining industry and tailings reclamation. The provisions will be similar to those in Title IV of S.2443 as passed the Senate in 1988.

This legislation may have a budgetary consequence for FY 1990 but the Committee is unable to estimate it at this time.

Gas Wellhead Decontrol

The Committee may consider legislation to deregulate remaining price controls on natural gas at the wellhead. If the bill immediately decontrols all remaining price ceilings, FERC's producer regulation activities would no longer be needed which may decrease FERC's budget. Note, however, that under the Omnibus Budget Reconciliation Act of 1986 and other laws, FERC has established a system of fee collections and annual charges to collect the full cost of its operations. Hence, this legislation would not have any budgetary consequences for FY 1990.

Enlargement of the Strategic Petroleum Reserve (SPR)

The Committee may consider legislation providing for a one billion barrel Strategic Petroleum Reserve. The Act creating the SPR authorized a billion barrel storage capacity, but current plans call for only 750 million barrels. P.L. 100-446 requires that DOE report to Congress before April 1, 1989, on the steps necessary to achieve a one billion barrel SPR. The Committee may examine many policy options concerning expansion of the SPR and cannot estimate their budgetary impact at this time. It is unlikely, however, that any new legislation would significantly increase SPR spending above the current services level in FY 1990.

NATURAL RESOURCES

Oil and Gas Leasing in the Arctic National Wildlife Refuge (ANWR)

The Committee will address the issue of opening the Coastal Plain of ANWR in Alaska to oil and gas exploration, development and production. A measure to open ANWR was reported favorably from the Committee in the last Congress (S.2214), but no action was taken by the full Senate.

If legislation opening ANWR became law, it is unlikely it would have any significant budget impact in FY 1990, but the United States could receive significant revenues in the form of bonus bids, royalty, and rental payments from oil and gas lessees in future years. (See comment on Administration's ANWR Receipts assumptions below)

Tongass National Forest

The Committee notes that the Administration is requesting approximately $41 million for the Tongass Timber Supply Fund and an additional $15 million in general appropriations for the Tongass National Forest. Currently two Tongass reform measures are pending before the Committee. While the proposals take significantly different approaches, both bills would repeal the portion of Section 705(a) of the Alaska National Interest Lands Conservation Act (ANILCA) which provides for a direct annual appropriation of $40 million for the Tongass Timber Supply Fund. It is possible that some form of a Tongass reform bill will pass the Congress this year, and such a measure is likely to contain a provision that would repeal the direct spending aspects of Section 705.

If the direct appropriation for the Tongass Timber Supply Fund is repealed, the Administration would include the Tongass within its general Forest Service budget request, as it now does for the other units of the National Forest System.

While the Committee has held hearings on this matter, it has not had the opportunity to formally consider the two Tongass reform measures nor their associated budgetary impacts, and therefore does not take a position on the relative merits of either of these bills at this time.

DEFICIT REDUCTION PROPOSALS

The Committee observes that there is a small amount of direct spending under its control, and offers no new deficit reduction proposals at this time.

COMMENTS ON THE PRESIDENT'S BUDGET PROPOSALS

A GENERAL NOTE

The Committee notes that President Bush has submitted a general outline of his budget along with details on some programs, but he has not submitted a detailed, comprehensive budget for FY 1990 in time for this report. The Committee has commented on President Bush's proposals to the extent possible. For those programs still lacking detailed budget proposals from the new Administration, the Committee has commented on the budget submitted by former President Reagan.

ENERGY

Superconducting Super Collider

The President's request proposes spending $250 million in FY 1990 on the Superconducting Super Collider (SSC). This proposal includes $160 million for initiating construction of the facility. If Congress approves the Administration's request, the nation will be committed to a project whose eventual cost of construction is currently estimated by the Administration at $5.9 billion. The annual operating cost of the SSC is estimated by DOE at $300 million, approximately one half of the current budget request for all of high-energy physics.

The Committee is concerned that sustaining a commitment of this size in the context of continued pressure to reduce and hold down the Federal budget deficit will result in dramatically reduced funding for other worthy areas of scientific research supported by DOE. The Department has not provided the Committee with a clear plan for funding the SSC in conjunction with these other important areas of fundamental research. Until such a plan has been presented and reviewed by Congress and the scientific community, the Committee is reluctant to support a commitment to the project.

Uranium Enrichment Supply Activities

The President's budget proposes to divert $29 million of uranium enrichment revenues to the Treasury for deficit reduction. The Committee strongly opposes any attempt to divert any uranium enrichment revenues to the Treasury until after the uranium enrichment industry is restructured by the enactment and implementation of S.83, as modified by Amendment No. 6, or its equivalent.

As mentioned earlier, the Committee will be considering legislation (S.83) to restructure the uranium enrichment program as a wholly-owned Government corporation. Enactment of this legislation will place the uranium enrichment enterprise on a sound foundation and permit the enterprise to operate in today's highly competitive world market.

The sale of uranium enrichment services may eventually return revenues to the Treasury, but in its current state, the Department of Energy program cannot contribute substantially to deficit reduction and remain viable. DOE testified before the House Subcommittee on Energy Research and Development on February 22, 1989 that the enrichment program may not meet its delivery schedule in early FY 1990, unless additional funds are provided to purchase power for the production of separative work -- a measure of enrichment services. In addition, the Committee is aware that the Department is foregoing the opportunity to produce inexpensive separative work in FY 1989, when low-cost power is available, because it is unable to gain access to all of its revenues.

Energy Conservation Grants

The President's budget proposes to eliminate grant funding for the State and Local Assistance Programs (SLAP) on the basis that oil overcharge funds are available for this purpose. Oil overcharge funds are made available to the States under court judgments as compensation to citizens who were victims of oil price violations in the 1970's. The court judgments intend that the funds be used to supplement various Federal and State energy programs.

Congress has opposed cuts below $200 million since 1986 in order to maintain "base-line" program activity to which oil overcharge, state, local and private funds are added. The Committee supports continuation of current services which provides for the four SLAP programs: Weatherization, Schools and Hospitals, Energy Extension Service, and State Energy Conservation Programs. The Committee intends that funds be distributed among these programs in the same proportion as funds were distributed in fiscal year 1986.

Reduction in Fossil, Solar, and Conservation R&D

The Committee supports current services for fossil, solar, and conservation R&D. Once again, the Administration proposes large cuts in research and development in fossil energy ($217 million or 57%), solar energy ($36 million or 24%), and conservation ($75 million or 46%). In past years, Congress has added funds to the President's request for energy research and development in order to maintain a core capability for research. It is expected that this pattern will be repeated by this Congress.

Nuclear Energy R&D Budget

The Committee is concerned about the continuing erosion of support for advanced civilian nuclear reactor research and development in the President's budget. Of the $353 million proposed for nuclear energy research and development, $56.7 million is provided for advanced light-water reactor R&D and for research on other advanced reactor concepts such as the high-temperature gas reactor and the liquid metal reactor. This represents a reduction of $46.1 million (or 45%) from FY 1989 appropriations. The remaining funds within the nuclear energy R&D budget are devoted to space and defense nuclear power systems, advanced nuclear systems, and for the maintenance of facilities. The percentage of funding within these areas that is devoted to civilian nuclear reactors has been continually declining, and the FY 1990 budget is no exception. The Committee is concerned that the current focus in many of these areas is not directly relevant to the mission of developing advanced civilian nuclear reactors.

The Committee is also concerned about the lack of focus in the Department's advanced civilian nuclear reactor programs and with the growing diversion of funds from this account to uses unrelated to civilian nuclear reactor R&D. It is anticipated that the restructuring of these programs will be addressed legislatively in the 101st Congress.

Modernization and Environmental Cleanup of DOE Nuclear Facilities

The Committee supports the Bush Administration's request for increased funding for modernization and environmental cleanup of the Department of Energy defense nuclear facilities. The Committee is concerned, however, about the lack of clarity in the Bush budget on how this increase would be allocated. The Committee believes, therefore, that the budgetary impact on specific DOE programs in FY90 and beyond may ultimately be significantly different than is currently reflected in the Bush budget.

Proposed Sale of the NPR

The Committee is concerned that the Administration's proposed sale of the Naval Petroleum Reserves (NPR) may not be prudent at this time. First of all, the production of NPR oil is providing, and will continue to provide, valuable revenues to the Government for years to come. Selling that asset would create, under the Administration's latest proposal, a mere one-year decrease in the deficit, but would hamper future administrations in their efforts to match revenues and outlays. Second, given current, weak oil prices, this is not the best time to sell the NPR.

There is a long history of Federal ownership of oil-producing lands both onshore and on the Outer Continental Shelf. The Committee notes that the NPR properties are part of a unitization agreement with private companies and that few of the operating decisions are made by the Federal government anyway.

On several occasions Federal law has conditioned the authority to sell oil produced from the NPR Number 1 (Elk Hills) on the SPR being filled at no less than a specified fill rate. This has been an effective means of assuring that the SPR is filled as provided by law. Sale of the NPR would remove that incentive.

Comment on SPR

With regard to the Strategic Petroleum Reserve (SPR), the Committee once again notes the Nation's rapidly increasing dependence on oil imports. On January 3, 1989, President Reagan transmitted to Congress the finding of the Secretary of Commerce, which the President endorsed, that oil imports threaten to impair the national security. The volume of oil in the SPR is often measured in terms of the number of days of protection it could provide the U.S. against a cut-off of imported oil. Measured in those terms, the SPR has been decreasing in size for the last four years, despite additions to the Reserve made in the face of a daunting fiscal environment. In short, the SPR fill rate isn't keeping up with the increases in U.S. net oil imports. At a minimum, SPR additions should be funded at a current services level. Existing law provides that U.S. oil produced from the Elk Hills Naval Petroleum Reserve may not by in sold in FY 1990 unless the SPR is being filled at a rate of 75,000 barrels per day.

The Committee believes that broad national security concerns require maintenance of a Strategic Petroleum Reserve capacity that satisfies the IEA agreement requirements for a reserve providing 90 days of net imports. Current trends in imports will require a reserve of at least 750 million barrels of oil.

Power Marketing Authority Payments

The President's budget proposes once again to alter the repayment practices of the Federal Power Marketing Administrations (PMAs) in order to generate additional revenues. The budget request would require annual refinancing of all outstanding PMA debt at current market interest rates. In addition, it would require a repayment schedule based on straight line amortization. In many cases, the Administration's proposal would raise PMA rates above the rates for other wholesale power alternatives with the result of reducing rather than increasing federal revenues. Moreover, there is great concern that such increases in rates would result in decreased employment in many areas being served by PMA's, thus increasing costs to the government associated with the payment of miscellaneous unemployment and welfare benefits. The Committee believes that the Administration's proposal is unworkable and inadvisable.

NATURAL RESOURCES

State and Private Forestry

The Committee objects to the proposed $32 million decrease in funds for State and Private Forestry. The 40 percent reduction will undoubtedly adversely affect the management of our nonindustrial private land base, at a time when these lands are being looked to in meeting the nation's wood supply needs. The elimination of cooperative fire protection, forest resource management, wood utilization, seedling production, nursery and tree improvement, and urban forestry will impede the ability of small nonindustrial owners to manage their lands in a productive manner. The Committee strongly supports current services funding for this program.

Forest Service Receipts

The Committee does not agree with the assumption in the Administration's budget request that Forest Service receipts will include $75 million from the lifting of the ban on export of logs from federal lands. Such a repeal would have to be done statutorily and the Committee believes that it is unlikely that such legislation would pass the Congress in the near future.

The Committee is also concerned that $10 million of additional recreation receipts are assumed for FY 1990 and approximately $50 million of new receipts are assumed for FY 1991. These two assumptions are predicated on the passage of legislation regarding the collection and allocation of recreation fees on National Forests. No such proposals have been presented to the Committee this year although similar proposals have been transmitted to the Congress in the past. Based on previous experiences, the Committee believes that such legislation will not be enacted this year.

Forest Service Programs

The Committee supports current services for Forest Service programs within its jurisdiction. However, the Committee observes that such funding levels are insufficient to meet the budget levels required to implement the Forest Service land management plans that have been finalized thus far.

Fire Fighting Activities

The Committee understands that the Administration will be initiating a legislative proposal which will establish a permanent, indefinite appropriation for Federal Wildland Fire Fighting to be used for suppression and presuppression activities. While the Committee has not seen the proposal, the Administration budget assumes that the Secretaries of Agriculture and Interior will make an annual deposit to the General Fund of the Treasury from timber and mineral receipts collected by the Bureau of Land Management, Fish and Wildlife Service, National Park Service and the Bureau of Indian Affairs, to cover the expenses of both fire protection and suppression for that year. The remaining receipts will be distributed to the states and counties pursuant to existing law.

In FY 1990, the Administration is assuming that the permanent appropriation will include $282 million for the Forest Service and $166 million for the Department of the Interior, for a total fire program budget of $448 million. Accordingly, receipts to the states and counties for timber and mineral receipts would be reduced by approximately 18%. Under the proposals, each state and county would receive 18% less in total receipts than it normally would regardless of the amount of fire activity on federal land in that state or county.

The Committee finds it inappropriate for the states and counties to bear the costs of fire protection and suppression on federal lands in this manner. The Committee strongly recommends that the Administration continue to budget its fire fighting costs through its annual and supplemental budget requests as it has done in the past.

Another aspect of the Administration's fire management policy of concern to the Committee is the proposed use of approximately $55 million of unobligated Land and Water Conservation Fund monies for fire fighting activities in FY 1989. The enabling legislation for the Land and Water Conservation Fund, as well as subsequent amendments to that Act, make it clear that Land and Water Conservation Fund monies are to be used solely for the purposes for which the Fund was created, i.e. the purchase of lands for inclusion in federal conservation system units or for grants to states for a variety of conservation and recreation purposes. The Committee strongly recommends that the Administration not pursue such a proposal.

Rescission of Land and Water Conservation Fund Money for Manassas

The Reagan budget proposed to rescind $65 million appropriated last year for land acquisition projects in the Fish and Wildlife Service and National Park Service to offset the estimated cost to the Treasury associated with the legislative taking at Manassas National Battlefield Park.

The Committee does not agree with this proposal. The statutory language enacted with regard to the Manassas acquisition as well as the Committee report language accompanying that legislation, makes it clear that funding for this acquisition is to come from the permanent judgement appropriation established pursuant to 31 U.S.C. 1304, not the LWCF. The Committee report (Senate Report 100-520) clearly states the Committee's views on this matter:

> "The language in the House-passed bill could have been interpreted as authorizing or requiring appropriated but unobligated advances from the Land and Water Conservation Fund to be used to pay for all or a portion of the property.

The Committee amended the House bill to remove this ambiguity. The Committee emphasizes that the permanent judgement appropriation is the appropriate funding source for the acquisition provided for in this Act and that Land and Water Conservation Fund monies are not to be used for this purpose."

There are indications that the Bush administration may withdraw the rescission, a move that the Committee would support.

Funding for Land and Water Conservation Fund and Historic Preservation Fund Programs

As has been the case since FY 1981, the FY 1990 Reagan budget recommends little or no funding for the Land and Water Conservation Fund or the Historic Preservation Fund programs. President Bush's budget proposes to fund the Land and Water Conservation Fund at the 1989 appropriated level of $206 million in 1990 and through the outyears. The Committee notes that the $206 million appropriated in FY 1989 included $20 million for the state grant program portion of the Land and Water Conservation Fund. Neither President Reagan's budget nor the Bush proposal includes any money for the state program.

Likewise, no money is requested in either budget for the Historic Preservation Fund's state grant program.

The Committee concurs in the request for a current services level of funding for federal land acquisition. However, the Committee does not support zero funding for the state grant program, and recommends that this program be funded at no less than the current services baseline level. Nor does the Committee agree with the Administration's decision to withhold funding for the Historic Preservation grant program. While it is true there are other programs and policies in place to encourage historic preservation efforts, the state grant program is a worthwhile and cost effective program which should be funded at least at the level of the current services baseline.

ANWR Receipts

The President's budget assumes $2.1 billion of increased oil and gas revenues as a result of opening the Coastal Plain of the Arctic National Wildlife Refuge. Last year, the Committee reported legislation to open ANWR. Similar legislation has been introduced again this year and the Committee hearings have been held. The enactment of such legislation "early in calendar year 1989" (the date assumed in the President's budget) will not take place. Furthermore, if such legislation is similar to that reported last year, it is unlikely that there will be any receipts in FY 1990. In addition, contrary to a second assumption in the President's budget, it is very unlikely that 100% of the receipts from ANWR will be credited to the U.S. Treasury for deficit reduction purposes.

Outer Continental Shelf Mineral Receipts

The Department's FY 1990 Reagan budget assumes OCS receipts from rents, bonuses and royalties of $3.3 billion, an increase of $0.6 billion over the current estimate for 1989. This figure assumes eleven OCS lease sales in 1990. The Committee notes that the Bush budget is consistent with the CBO current services estimate in assuming the postponement of three controversial sales off the California and Florida Coasts.

Mineral Institutes

Funding is not requested for the Mineral Institutes in FY 1990. The Mineral Institutes program was reauthorized in 1988 (P.L. No. 100-483) and the Committee believes that the Institutes should be funded. The Institutes carry out important basic research and education activities in mineral sciences and engineering. The Committee strongly supports current services funding for this program.

Generic Center for Respirable Dust

Funding is not requested for the Generic Center for Respirable Dust. The Committee believes that the Center should be funded at a current services level.

Rural Abandoned Mine Program

Funding is not requested for the Rural Abandoned Mine Fund for FY 1990. The Committee believes that the funding should be continued as this program provides for erosion control and improved water quality on rural abandoned lands affected by past coal mining. The Committee strongly supports current services funding for this program.

Coal Availability Studies

Funding of $1 million, appropriated in FY 1989, to support three coal availability studies in Kentucky, Virginia and West Virginia, is not requested for FY 1990. The Department proposes to reduce the number of studies from three to one. The Committee believes that this program should be funded at the FY 1989 appropriation level.

Coastal Erosion Program

Funding is not requested for continuation of studies currently being conducted under the Coastal Erosion program. The Committee believes that current services funding should be continued as protection of our barrier islands and wetlands is extremely important.

Bureau of Reclamation

The Committee notes that the President again proposes to concentrate the Bureau of Reclamation's resources on construction projects substantially underway at the potential cost of decreasing funding for other projects. Last year the Congress modestly restructured funding priorities for the Bureau during the appropriations process, and similar action may again take place during consideration of the FY 1990 appropriations bill.

The Committee is concerned about the President's proposal to reduce the Bureau's total budget by $129.0 million in comparison to FY 1989 levels. This decrease is based chiefly upon the assumption of legislative changes to the Operation and Maintenance and Loan programs. In particular, the President's budget assumes that a large budget reduction would be made possible by the legislative establishment of a Reclamation Operation and Maintenance Revolving Fund. At this point the proposed legislation has not yet been submitted by the Administration. The Committee questions whether revolving fund and related legislation can be enacted in time to allow the proposed budget decrease and whether the assumptions underlying the proposed legislative changes are sound. The Committee believes that a current services level will permit both authorizing and appropriations committees the flexibility to determine proper priorities.

Territorial and International Affairs

The Committee notes that the President's budget assumes implementation of the Compact of Free Association with Palau. Given the recent history of this issue, the Committee believes that such an assumption may prove unrealistic. Consequently, the Committee recommends a current services budget in order to meet the United States continuing Trusteeship responsibilities in the Pacific in the event that the Compact does not come into effect in FY 1990.

APPENDIX A

ENERGY & NATURAL RESOURCES COMMITTEE - PROGRAM ACCOUNTS

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FUN
    SUB
        AG BU SYMB FUN  ACCOUNT
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250 - GENERAL SCIENCE, SPACE, & TECHNOLOGY
    251 - GENERAL SCIENCE AND BASIC RESEARCH
        19 20 0222 251 General science and research activities
        31 45 0200 251 U.S. Antarctic program
270 - ENERGY
    271 - ENERGY SUPPLY
        10 12 0805 271 Exploration of national petroleum reserve in Alaska
        15 10 0112 271 Energy security reserve
        15 10 0114 271 Biomass energy development
        19 20 0206 271 Geothermal resources development fund
        19 20 0213 271 Fossil energy research and development
        19 20 0219 271 Naval petroleum and oil shale reserves
        19 20 0224 271 Energy supply, R&D activities
        19 20 0226 271 Uranium supply and enrichment activities
        19 20 0235 271 Clean coal technology
        19 20 4180 271 Isotope production and distribution fund
        19 20 4453 271 U.S. Uranium Enrichment Corporation
        19 20 5180 271 Alternative fuels production
        19 20 5227 271 Nuclear waste disposal fund
        19 20 8575 271 Advances for cooperative work
        19 50 0302 271 Operation and maintenance, Southeastern Power Administration
        19 50 0303 271 Operation and maintenance, Southwestern Power Administration
        19 50 0304 271 Operation and maintenance, Alaska Power Administration
        19 50 4045 271 Bonneville Power Administration fund
        19 50 4452 271 Colorado river basins power marketing fund, Western Area Pow
        19 50 5068 271 Construction, rehabilitation, operation and maintenance, Wes
        33 02 0500 271 Nuclear Waste Technical Review Board - Salaries & Expenses
    272 - ENERGY CONSERVATION
        19 20 0215 272 Energy conservation
        25 06 0179 272 Assistance for solar and conservation improvements
    274 - EMERGENCY ENERGY PREPAREDNESS
        19 20 0218 274 Strategic petroleum reserve
        19 20 0233 274 SPR petroleum
        19 20 0234 274 Emergency preparedness
    276 - ENERGY INFORMATION, POLICY, & REGULATION
        04 07 0061 276 Investment in Management Improvement (Energy information, po
        19 20 0212 276 Federal Energy Regulatory Commission
        19 20 0216 276 Energy information administration
        19 20 0217 276 Economic regulation
        19 60 0228 276 Departmental administration
        19 60 0236 276 Office of the Inspector General
300 - NATURAL RESOURCES & ENVIRONMENT
    301 - WATER RESOURCES
        10 10 0667 301 Limitation on direct loan obligations
        10 10 0684 301 Construction program
        10 10 4079 301 Lower Colorado River Basin development fund
        10 10 4081 301 Upper Colorado River Basin fund
        10 10 4524 301 Working capital fund
        10 10 4527 301 Reclamation operation and maintenance fund
        10 10 5043 301 Emergency fund
        10 10 5060 301 General investigations
        10 10 5064 301 Operation and maintenance
        10 10 5065 301 General administrative expenses
        10 10 5656 301 Colorado River dam fund, Boulder Canyon project
        10 10 8070 301 Reclamation trust funds
    302 - CONSERVATION & LAND MANAGEMENT
        05 96 1103 302 Construction
        05 96 1104 302 Forest research
        05 96 1106 302 National forest system
        05 96 1111 302 Federal wildland firefighting
        05 96 5207 302 Range betterment fund
        05 96 5220 302 Resource management - timber receipts
        05 96 9922 302 Forest Service permanent appropriations
        10 04 1109 302 Management of lands and resources
        10 04 1110 302 Construction and access
        10 04 1116 302 Oregon and California grant lands
        10 04 1117 302 Special acquisition of lands and minerals
        10 04 1119 302 Federal wildland firefighting
        10 04 4525 302 Working capital fund
        10 04 5017 302 Service charges, deposits, and forfeitures
        10 04 5033 302 Land acquisition
        10 04 5048 302 Operation and maintenance of quarters
        10 04 5132 302 Range improvements
        10 04 9921 302 Miscellaneous permanent appropriations (Conservation and lan
FUN
    SUB
        AG BU SYMB FUN  ACCOUNT
-------------------------------------------------------------------------------
        10 04 9971 302 Miscellaneous trust funds
        10 06 1917 302 Leasing and royalty management
        10 08 1801 302 Regulation and technology
        10 08 5015 302 Abandoned mine reclamation fund
    303 - RECREATIONAL RESOURCES
        05 96 5004 303 Land acquisition
        05 96 5072 303 Operation and maintenance of recreation facilities
        10 18 5020 303 Land acquisition
        10 24 1031 303 Urban park and recreation fund
        10 24 1036 303 Operation of the national park system
        10 24 1037 303 Road construction
        10 24 1039 303 Construction
        10 24 1042 303 National recreation and preservation
        10 24 1043 303 Illinois and Michigan canal national heritage-corridor Commi
        10 24 5006 303 Planning, development, and operation of recreation facilitie
        10 24 5035 303 Land acquisition
        10 24 5049 303 Operation and maintenance of quarters
        10 24 5078 303 National park system visitor facilities fund
        10 24 5140 303 Historic preservation fund
        10 24 9924 303 Miscellaneous permanent appropriations
        10 24 9972 303 Miscellaneous trust funds
        30 10 2300 303 Salaries and expenses
        30 10 8298 303 Donations
    304 - POLLUTION CONTROL & ABATEMENT
        05 60 3318 304 Colorado river basin salinity control program
    306 - OTHER NATURAL RESOURCES
        04 07 0061 306 Investment in management improvement (other natural resource
        10 12 0804 306 Surveys, investigations and research
        10 12 5055 306 Operation and maintenance of quarters
        10 12 8562 306 Contributed funds
        10 14 0959 306 Mines and minerals
        10 14 4053 306 Helium fund
        10 14 8287 306 Contributed funds
        10 84 0102 306 Salaries and expenses
        10 84 0103 306 Construction management
        10 84 0105 306 Office of the Secretary (special foreign currency program)
        10 86 0107 306 Office of the Solicitor
        10 88 0104 306 Office of Inspector General
        10 88 5052 306 Operation and maintenance of quarters
400 - TRANSPORTATION
    401 - GROUND TRANSPORTATION
        05 96 8029 401 Highway Construction: Mount St. Helens National Monument
        10 24 8215 401 Construction (trust fund)
450 - COMMUNITY & REGIONAL DEVELOPMENT
    451 - COMMUNITY DEVELOPMENT
        25 02 4040 451 Community disposal operations fund
        32 08 0100 451 Salaries and expenses
        32 08 0102 451 Public development
        32 08 4084 451 Land acquisition and development fund
        32 08 8112 451 Gifts and donations
800 - GENERAL GOVERNMENT
    806 - GENERAL PURPOSE FISCAL ASSISTANCE
        05 96 9921 806 Forest Service permanent appropriations
        10 04 1114 806 Payments in lieu of taxes
        10 04 9921 806 Miscellaneous permanent appropriations (Other general purpos
        10 06 5003 806 Payments to States from receipts under Mineral Leasing Act
        10 10 9922 806 Miscellaneous permanent appropriations (Other general purpos
        10 82 0418 806 Payments to the United States territories, fiscal assistance
        15 15 9922 806 Miscellaneous permanent appropriations
    808 - OTHER GENERAL GOVERNMENT
        10 76 9925 808 Miscellaneous permanent appropriations (Other general govern
        10 82 0412 808 Administration of territories
        10 82 0414 808 Trust Territory of the Pacific Islands
        10 82 0415 808 Compact of free association
        33 19 3300 808 Holocaust Memorial Council
        33 19 8279 808 Gifts and donations

        INACTIVE OR DELETED ACCOUNTS
        19 20 0200 251 Basic research user facilities (General science and basic re
        19 60 8576 251 Gifts and donations
        15 11 0206 271 Geothermal resources development fund, FFB (loan guarantee o
        15 11 5180 271 Alternative fuels production, FFB (loan guarantee originatio
        19 20 0200 271 Basic research user facilities (Energy supply)
        19 50 5069 271 Emergency fund, Western Area Power Administration
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FUN	SUB	AG	BU	SYMB	FUN	ACCOUNT
		19	50	5649	271	Continuing fund, Souwestern Power Administration
		19	50	5653	271	Continuing fund, Southeastern Power Administration
		19	60	0205	271	Special foreign currency program
		10	84	9911	301	Miscellaneous expiring appropriations (Water resources)
		10	04	5011	302	Recreation development and operation of recreational facilit
		10	84	9911	302	Miscellaneous expiring appropriations (Conservation and land
		10	24	1035	303	National Capitol Region Arts and Cultural Affairs
		10	24	1044	303	Jefferson national expansion memorial commission
		10	24	5077	303	Commemorative Activities Fund
		10	10	9922	306	Misc. permanent appropriations
		10	84	4523	306	Working capital fund
		10	82	7011	806	Administration of territories, FFB direct loans
		15	11	0412	806	Territory of the Virgin Islands, FFB (loan guarantee origina
		15	11	0413	806	Guam Power Authority (loan guarantee originations)
		10	76	9973	808	Misc. trust funds (Other general government)
		10	82	0416	808	Micronesian claims fund, Trust Territory of the Pacific Isla
		10	10	9922	999	Miscellaneous permanent appropriations (Other general purpos

Timothy E. Wirth

INDIVIDUAL VIEWS OF MR. WIRTH

March 8, 1989

I strongly support the Committee's recommendation for stable funding for the renewable and energy efficiency research and development programs. These programs have not been chipped away for the past eight years, they have been bulldozed. There is no meat on the bones anymore. In fact, some programs are at critical mass. They simply cannot continue with further reductions.

The Members of the Energy Committee know that I am a strong supporter of these programs. I believe these programs are important for the nation. Solar photovoltaics, for example, are rapidly becoming cost-effective and we know they are environmentally benign. The federal research and development program has met every technological goal set for it during the 1980s. But our unwillingness to provide more funding is handing this technology over to our competitors. The Japanese have already taken over leadership in the share of the world market in photovoltaics. The West Germans and Italians have established ambitious programs. Are we going to give away our technological prowess as we did with VCRs and other high technology items? I don't think we should.

We are all to familiar with the numbers in the renewable and energy efficiency budgets. For the past eight years they have been cut in each budget cycle. An examination of the DOE budget shows that there are significant changes going on in the Department's priorities.

The percentage of the DOE budget that goes to atomic energy defense programs has increased by 20 percentage points since 1981. In 1981 DOE spent 40 percent of its budget on atomic defense, last year DOE spent more than 60 percent on these programs. At the same time, funding for civilian energy programs in 1981 comprised 53 percent of the budget. They now account for just 32 percent. It is my strong believe that we must work with the Department to restructure these priorities. We have to do it to help protect the environment by investing in nuclear research and development on a new generation of nuclear technologies, by looking for ways to use coal more efficiently, and pursuing energy efficiency and renewable energy resources. I believe that all Senators should reexamine the decay that is now occuring in the nation's energy efficiency and development of renewable energy. I urge all of my colleagues to join me in working to renew our commitment to a balanced, and comprehensive energy policy.

I also want to take this opportunity to express my intention to work with other members of the Committee to obtain funding for a $4.3 million appropriation for the Solar Energy Research Institute's badly needed research facility. This project has been put off for years and the excellent researchers at SERI are being forced to do conduct their research in cramped, sub-optimal conditions.

The present facilities, leased as office space, lacks separate heating and ventilation systems for laboratories. Vibrations problems plague sensitive, state-of-the-art equipment. The ultimate logistical problem is the lack of space, which makes it impossible to place large scientific instruments at the facility.

Is a new facility too expensive to build? In fact, just the opposite is true -- it is more expensive not to build the facility. Every OMB cost-benefit analysis of the benefits of building versus leasing has shown that the new facility is a sound and cost-saving investment. In addition, as part of the agreement that brought SERI to Colorado, the state donated more than 300 acres of land to the federal government. However, that agreement contained a provision that allows ownership to revert to the state if the land is not used. I have no idea why we would want to turn down the State of Colorado's generous offer.

The conceptual design of the new research facility is complete. For $4.3 million we can begin building this facility and make SERI a more efficient and effective institution. Again, I urge all of my colleagues to join me in support of this effort.

# # #

SENATE ENERGY AND NATURAL RESOURCES COMMITTEE:

VIEWS AND ESTIMATES REPORT

Additional Views of Senator Pete V. Domenici

I reluctantly voted for the Committee's views and estimates report to the Budget Committee. While I think the report is a good overview of the items this Committee is likely to consider this year, the Committee makes a mistake in simply supporting a current services budget.

If every committee recommends a current services budget, total spending will increase by $71 billion and produce a $141 billion budget deficit, as estimated by the Congressional Budget Office. Such a deficit would result in a sequester that would reduce most of the programs in this Committee's jurisdiction by 16 percent. Even under the Administration's estimates, a current services budget would result in a deficit of nearly $130 billion, and an 8.4 percent sequester for most programs under this Committee's jurisdiction.

This Committee and the Congress is going to address issues that will have upward pressure on the budget, such as the modernization and cleanup of the Department of Energy's weapons complex, and items that could reduce the deficit, such as permitting leasing in the Alaska National Wildlife Refuge.

Current services budgeting is the wrong approach. Instead, budgeting demands weighing new priorities within limited resources.

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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510-6175

March 8, 1989

Honorable James R. Sasser
Chairman
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter contains the recommendations of the Committee on Environment and Public Works for the purposes of developing the budget resolution for FY90.

The budget transmitted to Congress by President Bush on February 9, 1989 was silent on specific funding levels for programs within the Committee's jurisdiction. Therefore, we are using the more detailed budget submitted in January by President Reagan as the basis for our comments.

Environmental Protection Agency

New Initiatives

The Committee anticipates reporting two major new environmental initiatives this year, reauthorization of both the Clean Air Act and the Solid Waste Disposal Act. Assuming enactment before or early into the FY90 cycle, the Environmental Protection Agency (EPA) will need additional resources to begin implementation of the new laws. Roughly an additional $130 million would be needed to fund Clean Air amendments if a measure similar in scope to that reported in 1987 (S. 1894) is adopted. Further, we oppose the $1.8 million proposed reduction to the Section 105 Clean Air Act state grant program. Grant resources need to be maintained at no less than current levels for states to carry out their responsibilities.

If legislation similar to S. 2773 and S. 2774, measures introduced last year to reauthorize the Solid Waste Disposal Act, are adopted, an additional $100 million will be needed to support EPA regulatory programs. State grants for municipal waste programs will be funded to a large degree from a separate trust fund.

Asbestos in Schools

The FY90 budget request includes no funding for the asbestos in schools program. Demands for financial assistance are up in the current award period for FY89 and will remain high in FY90 as schools complete inspections and management plans required under the Asbestos Hazard Emergency Response Act and begin plan implementation in July of this year. We urge that $125 million be included in the budget to assist the schools least able to finance asbestos abatement activities.

Water Pollution Control

The FY90 request proposes some very modest increases for water programs. These increases are intended to fund some of the new requirements to address remaining water problems. The Water Quality Act Amendments of 1987 establishes new programs for toxics control, sludge management, nonpoint source pollution and stormwater control. The Safe Drinking Water Act requires EPA to establish 83 new drinking water standards and authorizes grants for the development of wellhead protection programs. An EPA report estimates that the cumulative effect of the many new statutory requirements coupled with diminishing federal funds, including set asides in the sewage treatment funding, will leave states with a shortfall of millions of dollars per year, peaking at $309 million by 1994. In addition, the Committee anticipates reporting legislation addressing coastal pollution and groundwater contamination. We urge that additional funds be set aside in the budget to deal with these critical water pollution issues.

We take this opportunity to highlight an initiative in the budget submitted by President Bush. The President sets forth a goal of no net-loss of wetlands. The Committee is very supportive of this goal and welcomes the chance to work with the Administration to attain this objective.

Sewage Treatment

The FY90 request for the sewage treatment construction grant and loan program administered by EPA is only half the $2.4 billion authorized in the Water Quality Act Amendments of 1987. Furthermore, the Administration proposes allocating $400 million for the grants and $800 million for the state revolving loan program, in complete disregard for the 50-50 funding arrangement in the law. This is particularly important because FY90 is the final year for the grant program. All future funding will go for revolving loans until financial assistance terminates in FY94.

As authorized, funding is stable in FY91 at $2.4 billion for the loan program, and declines to $1.8 billion in FY92, to $1.2 billion in FY93 and finally to $600 million in FY94. This program ultimately will result in substantial savings to the federal government. We strongly urge that the commitment Congress made to the states and municipalities in 1987 be honored by allocating the full $2.4 billion for this program in FY90, and that the funds be equally divided between the grant and loan programs as authorized in the Water Quality Act Amendments.

Superfund

The FY90 request for Superfund is flawed in two significant respects. First the $1.75 billion request for FY90 is accompanied by an assumption in the Reagan budget documents that Superfund will not reach the $8.5 billion authorized level by the mandated year FY91. By FY91, the Reagan budget documents estimate the fund to be at about $7.589 billion, about $1 billion below the authorization. Although the FY90 request is an increase, to date only $3.964 billion has been appropriated for Superfund. To meet the $8.5 billion authorization by FY91 will require an appropriation for FY90 and FY91 totaling $4.536 billion. The average appropriation over the next two years must be about $2.268 billion to meet the authorized level. Thus the FY90 Superfund request is about $518 million below the authorized level.

The second related problem with the FY90 Superfund request is the failure to include the authorized general revenues. The 1986 Superfund amendments authorized $1.25 billion of the total $8.5 billion authorization to come from general revenues. Without the general revenue contribution, the appropriation for Superfund will fall short of the authorized level. To date only $389.1 million has been appropriated from general revenues. This means that we would have to appropriate $860.9 million of the remaining $4.536 billion (a yearly average over the next two years of $430.45 million) from general revenues to meet authorized levels.

In order to meet the Congressional authorization for Superfund, it would have to be funded at $2.268 billion in FY90, with at least $430.45 million of such funds designated as coming from general revenues.

Emergency Planning and Community Right to Know Act (Title III)

A major component of the 1986 Superfund reauthorization was the Emergency Planning and Community Right to Know Act (Title III). Responding to the 1984 Bhopal tragedy, this law required the development of a Federal, state and local emergency planning infrastructure to prevent and respond to chemical accidents. To address the need to create a national view of the amount of routine pollutants being emitted into the air, water, and land, Title III also required reporting of such emissions to EPA and states, with EPA having the duty to make such data publicly available in a national data base and through other means. The program created major national responsibilities for EPA and FEMA for carrying out the program. EPA has, however, responded by cutting its emergency planning budget and not requested sufficient increases for the emissions inventory program. In addition, FEMA has failed to request authorized funds for emergency training grants to states. We urge that Title III funding for EPA and FEMA grants be increased to allow the successful implementation of the law. In addition, in recognition of the local obligations in implementing the law, we recommend that consideration be given for budgeting funds for grants by EPA for State and local implementation efforts.

CFC Production

The FY90 budget assumes that $400 million will be recovered through fees or auction of CFC production rights. The budget presumes that the funds will be returned to the general fund of the Department of Treasury. The Committee generally supports the concept of a fee on CFCs to discourage further production and encourage the development and use of environmentally sound alternatives. Legislation was introduced last week (S. 503) which would apply a graduated fee to CFC production. $100 million per year would be deposited in a trust fund to support research grants to find substitute and alternative chemicals. We believe that any additional revenues that are generated can be used most productively to support other important initiatives within EPA.

U.S. Fish and Wildlife Service

Federal Aid in Wildlife and Sport Fish Restoration

The FY90 budget proposes to cap at $100 million each, the Pittman-Robertson Fund for restoration of wildlife, and the Wallop-Breaux Fund for sport fishing and boating enhancement. This proposal would result in cuts of 22 percent and 44 percent, respectively. The Pittman-Robertson and Wallop-Breaux federal-state cooperative programs are supported by excise taxes on arms, ammunition, fishing equipment and motorboat fuels, which by law must be apportioned among the states to enhance wildlife, sport fisheries and boating safety. Hunters, anglers and boaters strongly supported these taxes for those purposes. Any use of these tax receipts for other purposes contravenes Congressional intent and our agreement with sportsmen, boaters and the states and, consequently, is unacceptable.

Cooperative Endangered Species Conservation Fund

The FY90 budget request includes no funding for matching grants to states under section 6 of the Endangered Species Act. Because this cooperative federal-state program is essential to the recovery of threatened and endangered species and to the implementation of the Act generally, Public Law 100-478 established a Cooperative Endangered Species Conservation Fund to provide greater federal assistance to the states. This increased assistance is badly needed. For FY89 the states received $5 million, which is only slightly more than the funding level provided in 1977. Yet there are four times as many state cooperative agreements eligible for section 6 support as there were in 1977. We urge you, therefore, to include in the budget resolution the $15 million provided by the Cooperative Endangered Species Conservation Fund in FY90. To do otherwise will prevent significant progress toward the Act's goals.

Conservation of Non-game Migratory Birds

Public Law 100-653 amended the Fish and Wildlife Conservation Act of 1980 to require the U.S. Fish and Wildlife Service to monitor the 757 species of non-game migratory birds; to study the effects of environmental changes on these birds; and to identify conservation actions to be undertaken to prevent them from having to be listed under the Endangered Species Act. In spite of this significant new statutory requirement, the FY90 budget request includes a decrease of $750,000 for non-game migratory bird research and management. We urge instead that $1.8 million be provided in FY90 for these purposes. Prevention is far more effective and less expensive as a strategy for wildlife conservation than is the saving of species on the brink of extinction.

Highways

Federal highway user taxes have been generating over $14 billion in income to the Highway Trust Fund for each of the past several years, but spending has been squeezed steadily since 1986. The Administration's budget for FY90 would cut the program by another $1 billion, with obligations totaling $12.365 billion but an obligation limit of only $11.310 billion. This compares to program levels for FY88 and FY89 of $13.308 and $13.713 billion, with obligation limits of $11.780 and $12.0 billion respectively.

It has been only two years since comprehensive legislation (P.L. 100-17) was enacted to reauthorize the Federal-aid highway program at a $12.35 billion spending level annually for FY87 through FY91. Since then the National Council on Public Works Improvement, the Federal Highway Administration, the American Association of State Highway and Transportation Officials, and others have issued major studies documenting transportation infrastructure needs and the concurrent disinvestment in real dollars in highways and bridges.

Transportation officials warn of the spiraling costs and threats to safety when preventative maintenance is not performed and roads and bridges are allowed to deteriorate. There are growing concerns about the adverse effects on the economy, productivity growth, and international competitiveness. Although a sound highway system is essential, the condition and performance of many of our transportation facilities can be rated marginal, at best. The new Secretary of Transportation, Samuel K. Skinner, has said, "It's not something that can be taken for granted. It is old, it needs to be replaced. It is going to cost money."

We urge that the existing highway user fees--already collected specifically to finance the Federal-aid highway system--be put to work. The level of spending for FY90 enacted in P.L. 100-17 is an obligation ceiling of $12.35 billion and an outlay level of $13.5 billion. This level can be supported by the Highway Trust Fund, and it provides the maximum funding possible at this time to meet the more than $35 billion in spending at all levels of government that the Federal Highway Administration estimates is needed annually just to maintain minimum standards on our roads and bridges.

Corps of Engineers

The Assistant Secretary of the Army for Civil Works recently wrote to the Committee to confirm that the 11 proposed new construction starts which were included in the Reagan proposed budget for FY90 are included in the Bush budget proposals.

These new starts are the fruits of the compromises regarding water policy reached between the Executive branch and Congress with the passage of the 1986 and 1988 Water Resources Development Acts. The 1986 Act is considered to be the most fundamental water reform legislation in half a century. The National Council on Public Works Improvement gave water resources infrastructure the highest grade of any federal program because of the reform potential of the 1986 Water Act.

The Committee believes that if the reforms of that act are to have meaning they must be used and applied to new water projects. Failure to do so can only call into question the viability of those reforms, and presage a return to those times when water projects were selected on a pork barrel basis.

There is no higher priority in the civil works budget than these new starts. Therefore, we strongly support the initiation of these projects in the FY90 civil works budget.

NRC User Fees

Finally, we are opposed to the proposal in the President's budget to recover 100% of the Nuclear Regulatory Commissions expenses through user fees. Presently, under the Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203), the NRC is required to collect user fees totaling approximately 45% of the agency's budget in FY88 and FY89. Under the Consolidated Omnibus Reconciliation Act of 1985 (P.L. 99-272), the NRC would be required to collect approximately 33% of its budget in user fees in FY90.

During the deliberations on these reconciliation bills, as well as at every other relevant opportunity, the Committee has consistently maintained that increases on the order of the current Administration proposal would be both impractical and inequitable. Not only would it be impossible to reasonably relate the fees assessed to the services rendered for fees of such magnitude, it would be unfair to require these particular entities subject to regulation by the NRC to bear a burden that entities regulated by other agencies would continue to avoid.

Thank you for your consideration of the Committee's recommendations.

Sincerely,

John Chafee
John H. Chafee
Ranking Minority Member

Quentin N. Burdick
Chairman

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United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

March 7, 1989

The Honorable
James R. Sasser, Chairman
Committee on the Budget
U.S. Senate
Washington, D.C.

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting to you the attached document presenting the views and estimates of the Committee on Finance with respect to the fiscal year 1990 budget. I am also enclosing a committee print which provides additional information on matters within the jurisdiction of the Committee on Finance.

Sincerely,

Lloyd Bentsen

Lloyd Bentsen,
Chairman

March 7, 1989

Views and Estimates of the Committee on Finance With Respect to the Budget for Fiscal Year 1990

Overall budgetary situation.--Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1993. In any given year, automatic cuts in spending levels will be triggered if the required deficit reduction has not been achieved as determined by the Office of Management and Budget. The President's budget for fiscal year 1990 projects a deficit which meets the target, but only if current policies (including appropriations) are changed sufficiently to reduce the disparity between spending and revenues by approximately $27 billion. The baseline estimates of the Congressional Budget Office would indicate that an even larger amount of deficit reduction would be required to meet the goal of having a deficit for fiscal year 1990 which does not exceed $100 billion.

As the committee with primary legislative responsibility for financing the operations of the Government, the Committee on Finance is keenly aware of the importance of reducing the massive deficits of recent years. At the same time, the Committee recognizes that Congress retains a responsibility to deal with the high-priority needs of the nation, and many of the programs within Finance Committee jurisdiction are vital to the health and well-being of the citizens of this country.

It is clear, in any case, that effective action against the deficits requires cooperative efforts on the part of the Congress and the Administration. We look forward to working with the Administration in fashioning those details of the budgetary program which involve matters within the jurisdiction of this committee.

Tax proposals.--As noted above, the President's Budget projects a baseline deficit under the Gramm-Rudman-Hollings statute which must be reduced by approximately $27 billion if we are to meet the revised goals set by Congress and the Administration in 1987. That situation could worsen if economic conditions develop unfavorably in the next few months. The President's budget does include several revenue proposals. Some of these would reduce the deficit while others would increase it. The Committee is committed to assuring that any revenue changes it may propose will be designed in such a way as not to worsen the deficit. The Committee believes, however, that revenues are unlikely to play a role in meeting this year's deficit reduction goals unless there is bipartisan agreement on such an approach. In

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the absence of bipartisan agreement, the budget resolution should contain no reconciliation instruction directing the Committee on Finance to propose revenue increases.

Medicare.--The Committee notes that the Medicare program has over the past several years borne much of the burden of outlay reduction. While that program does represent a major element of Federal spending, it cannot continue indefinitely to absorb major cutbacks without damaging the health care system in ways which will ultimately be harmful to the nation and the program's beneficiaries. The Committee will of course continue to carefully review this program to assure that it is operating on a fiscally sound and efficient basis. The Committee strongly believes, however, that the Congressional budget for fiscal year 1990 should not be based on any assumption of significant cutbacks in Medicare. Specifically, the Committee feels that the level of Medicare deficit reduction projected in the President's budget ($5 billion in fiscal year 1990; $24 billion over fiscal years 1990-1992) exceeds the level that it will be willing to recommend.

Welfare reform.--In the last Congress, a major reform of the welfare system was enacted into law. This legislation has the potential for changing welfare in this nation from a program of dependency into a program which provides recipients with the tools to be independent, productive members of society. It is crucial to the success of this legislation that it be adequately funded in accord with the statutory entitlements (including the new JOBS program) established last year. The Congressional budget should assume both that entitlement funding and funding to implement several provisions of the welfare reform legislation which were adopted on a non-entitlement basis as discretionary authorizations. This includes, for example, funds for research and evaluation. The full cost of funding the welfare reform legislation, from a budgetary standpoint, was offset by financing provisions in that same act.

Children's initiatives.--While the Committee is deeply concerned with the need for deficit reduction, the existence of that deficit does not relieve the nation of its responsibility to find ways to improve the lives of its children, especially those who are poor or disabled. The Committee expects to propose meeting that responsibility by implementing new initiatives in the areas of child welfare, child care, and child health. Several elements of the Committee's jurisdiction are closely involved with those areas including: the tax code; the social services program under title XX of the Social Security Act; the adoption assistance, foster care, and child welfare services programs; medicaid; and the maternal and child health program. While the Committee has not yet had the opportunity to review or develop specific proposals in these areas, we recommend that the budget resolution accommodate new children's initiatives in these Finance Committee programs in fiscal year 1990.

Customs / International Trade.--We note that the budget submitted by President Reagan assumed the repeal of the Trade Adjustment Assistance program which was just extended and reformed by last year's trade bill. It is extremely unlikely that the Committee will recommend repeal, so the Committee on the Budget should not assume the enactment of repeal legislation. With respect to funding of the United States Trade Representative, the Committee is concerned that the President's budget submission does not fully take into account the increased program activities of the agency due to enactment of last year's trade bill, implementation of the U.S.-Canada Free Trade Agreement, and increased activity in the Uruguay Round of multilateral trade negotiations. We recommend that the budget resolution assume that the Committee may increase USTR's funding above the President's requested level in order to assure that the agency has adequate resources to perform its functions.

Other Finance Committee programs.--In general, the Committee recommends that the budget resolution be based on an assumption that the programs in its jurisdiction which are not specifically addressed above be continued without substantive change.

Public Debt Limit.--The debt limit under existing law is set at $2.8 trillion. It appears that this level will be exceeded by the end of fiscal year 1989. At that time, a debt subject to limit of approximately $2.85 trillion is now projected. By the end of fiscal year 1990, the debt limit will have to be increased to about $3.1 trillion. The budget resolution should reflect these projections.

Summary.--As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other committees of the Senate. We must emphasize, however, that the Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to any specific set of options.

101st Congress
1st Session

COMMITTEE PRINT

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Data and Materials for the

Fiscal Year 1990 Finance Committee Report

Under the

Congressional Budget Act

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

Lloyd Bentsen, *Chairman*

MARCH 1989

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Note: At the time this document was prepared, many of the details of the Bush Administration's revisions to the budget were not available. In general, except as otherwise noted, the information in this document is based on the budget documents submitted by President Reagan in January of 1989.

SUMMARY: IMPACT OF CONGRESSIONAL BUDGET PROCESS ON FINANCE COMMITTEE

The Congressional Budget Act of 1974 (titles I–IX of Public Law 93–344) established the mechanisms and procedures for Congress to develop its own annual Federal budget and to consider spending, revenue, and debt limit legislation in the context of that budget. The original budget act was substantially amended by Public Law 99–177, the Balanced Budget and Emergency Deficit Control Act of 1985 (also known as the Gramm-Rudman-Hollings Act), and by Public Law 100–119, the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

In addition to revising the budget act, the 1985 and 1987 amendments set up temporary procedures designed to assure the attainment of a balanced budget by fiscal year 1993. For each fiscal year between now and FY 1993, the Act establishes maximum deficit amounts as follows: FY90 $100 billion; FY91 $64 billion; FY92 $28 billion. A $10 billion tolerance level is established for each of these three years. For FY93, the act specifies a zero deficit as the maximum deficit amount and provides no tolerance. If Congress fails to meet the specified goal for any of these years, an automatic deficit reduction procedure (called "sequestration") will go into effect.

The Congressional Budget Act, as amended, has a number of effects on the consideration of legislation handled by the Committee on Finance. Major provisions affecting the Committee include:

1. Letter to Budget Committee.—By February 25 of each year, the Finance Committee must submit a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, and the debt limit during the next fiscal year, and presenting the Committee's views and estimates with respect to such expenditures, revenues, and the debt limit. For the current year, the deadline for submitting this report has been extended to March 8 to allow the report to consider the revised budget submissions of the Administration. (The reports submitted in the 100th Congress appear as Appendix A of this document.)

2. Timing restrictions on tax and spending bills.—Certain kinds of legislation may not be considered prior to the adoption by Congress of the Budget Resolution. This restriction applies to most of the legislation considered by the Finance Committee: revenue and debt limit changes for the upcoming fiscal year and legislation increasing expenditures in such areas as social security and welfare.

3. Budget allocation reports.—After the adoption of a budget resolution by the Congress, the Finance Committee is required to file an allocation report showing how the aggregate spending authority assumed in the budget resolution for all Finance Committee programs will be subdivided. This subdivision can be by program or by subcommittee. A point of order will lie against any bill or amendment affecting Finance Committee spending program jurisdiction if the allocation report has not been filed or if it is inconsistent with the proposed legislation. Also, for non-trust fund entitlement programs, bills reported from the Finance Committee could be subject to 15-day referrals to the Appropriations Committee if they have not been provided for in an allocation report. As it acts on legislation throughout the year, the Committee can file revised allocation reports. A copy of the most recent allocation report appears as Appendix F.

4. Resolution totals binding.—By April 15, Congress is required to complete action on the concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. For the duration of the Gramm-Rudman-Hollings legislation, the budget resolution must set a deficit which is no greater (but can be smaller) than the Gramm-Rudman-Hollings maximum deficit amounts described above. After the resolution is adopted, points of order can be raised against bills or amendments which would cause its overall spending ceiling to be exceeded, or would cause revenues to fall below its revenue floor, or would cause the Gramm-Rudman-Hollings maximum deficit amount to be breached.

5. Reconciliation.—The budget resolution can require the Finance Committee to report "reconciliation" legislation by a specified date to raise taxes or cut back on spending programs within the committee's jurisdiction. Such legislation is considered under special procedures which establish automatic time limits for consideration and prohibit nongermane amendments. The Budget Act schedule calls for Congress to complete action on reconciliation legislation by June 15.

6. Sequestration.—If the overall impact of spending and revenue legislation enacted by Congress and the President does not reduce the deficit sufficiently to meet the Gramm-Rudman-Hollings target (with the $10 billion tolerance), a "sequestration" process is triggered under which non-exempt spending programs are reduced by amounts sufficient to bring the deficit down to the target (without any tolerance). Half the savings must come from domestic programs and half from defense. Within each category, all non-exempt programs must be uniformly reduced. For the most part, entitlement programs are exempt from sequestration although Medicare payments would be reduced by not more than 2 percent. The decision as to whether a sequestration is required is made by the Director of OMB based on the situation prevailing on October 15.

THE BUDGET PROCESS

1. Key Concepts

Federal Budget.—There are two separate and distinct Federal budgets: the President's budget and the Congressional budget.

In early January of each year, the President submits to the Congress his budget plan for the fiscal year which will start on the following October 1. The President's budget not only sets forth the overall levels of spending and revenues that he recommends but also contains a detailed listing of how much he estimates and proposes for each individual program of government.

The Congressional budget is a concurrent resolution reported from the House and Senate Budget Committees and adopted by the Congress. Unlike the President's budget, it does not include detailed programmatic budget levels. Instead it establishes overall budget aggregates: total revenues, total outlays, total budget authority. The budget resolution does include a breakdown of the spending totals by broad functional categories such as "national defense", "agriculture", etc., but these are not binding.

Both the President's budget and the congressional budget are essentially planning documents designed to guide the Congress as it works on the separate pieces of legislation (tax, entitlement, and appropriations bills) which actually determine the amount of Federal spending and revenues and the extent of budgetary deficit or surplus.

Baseline.—Both the President's budget and the Congressional budget set forth plans as to what the ultimate levels of taxes, spending, and deficit or surplus should be for the fiscal year after the impact of any legislative changes which may be enacted. In order to determine how much of a change in law or policy is required to reach the budgetary goals, it is necessary to compare the budget plan with a "baseline" budget which represents the continuation of current law and policy. A baseline would generally assume continuation of entitlement programs and revenue laws without substantive change and the enactment of discretionary appropriations at a level which permits the continuation of existing policies. Ordinarily, in order to construct a baseline that represents a continuation of existing policy, an inflation factor would be applied to discretionary appropriations. At the present time, the budget process uses three different baselines: the CBO baseline which projects spending and revenues using CBO's own economic and technical assumptions, the OMB "current services" baseline which employs the Administration's economic and technical assumptions, and the Gramm-Rudman-Hollings baseline. The GRH baseline is similar to the OMB "current services" baseline, but it follows certain statutory specification in the GRH legislation and is used to determine how much deficit reduction is needed to avoid sequestration.

Baseline for Fiscal Year 1990

[In billions of dollars]

	Baseline deficit	Required deficit reduction	
		to meet target	to avoid sequester
CBO baseline	146	46	36
OMB current services	127	27	17
GRH baseline	[1] 126	26	16

[1] In making the final sequestration calculations in October, OMB will be required to apply a statutory rule for determining the rate at which appropriations will actually be spent. That rule will effectively reduce the $126 billion baseline deficit to $122 billion.

Spending Authority.—Federal laws which control the expenditure of Federal funds can be generically referred to as "spending authority." Some of the more significant types of spending authority are:

DISCRETIONARY APPROPRIATIONS

For many programs, the amount of spending is controlled by the annual appropriations process. This is the case with respect to the administrative costs of Federal agencies such as IRS, the Social Security Administration, and the Customs Bureau. For most Finance Committee programs, however, actual programmatic costs are not controlled by annual appropriations acts. (Exceptions to this rule are the Child Welfare Services program and the Maternal and Child Health program.)

ENTITLEMENTS

In general, most Finance Committee spending programs are entitlements. From a budgetary perspective, this means that the actual control of spending levels is exercised by the substantive legislation under the jurisdiction of this Committee rather than by annual appropriations acts. There are two types of entitlements: direct spending entitlements such as social security which do not require annual appropriations because their funding is based on a permanent appropriation and "appropriated entitlements" such as Medicaid and the program of aid to families with dependent children. The costs of these programs are controlled by the substantive legislation, but their funding is nevertheless included, as a mandatory or nondiscretionary item, in annual appropriations bills.

Outlays.—Although Congress exercises control over spending by enacting, modifying, or repealing various forms of "spending authority," the annual deficit or surplus is determined by comparing revenues and outlays. Outlays take place when the spending authority actually results in the expenditure of funds. In some programs (for example, defense procurement activities), there can be major differences between spending authority and outlays. For practical purposes, however, Finance Committee programs are assumed to have annual outlays equal to annual spending authority (which is not the same as "budget authority").

Treatment of social security and Medicare.—Public Laws 98-21 and 99-177 established special rules for the budgetary treatment of the Old-age, Survivors, and Disability Insurance (OASDI) and the Hospital Insurance (HI) programs. Effective starting in FY 1993 for HI and effective starting with FY 1986 for the OASDI program, current law requires that the expenditures and revenues of these programs be excluded in computing budgetary totals for purposes of both the President's budget and the Congressional Budget. At the same time, however, the Gramm-Rudman-Hollings statute specifies that the income and outgo of the OASDI program is to be *included* in determining whether or not the GRH targets are met. Since the current budget process focuses heavily on the attainment of the GRH targets, most budgetary displays show combined (or "unified") totals which include the impact of social security. Strictly speaking, however, OASDI is "off-budget."

In addition, the Budget Act provides that reconciliation legislation will be subject to a point of order if it includes any provisions affecting the OASDI program.

2. Outline of Congressional Budget Process.

By April 1 of each year, the Senate Budget Committee is required to report to the Senate a concurrent resolution which is, in effect, a congressional budget document setting forth appropriate levels of spending, revenues, and public debt for the coming fiscal year. The spending levels are, for informational purposes, broken down into broad functional categories (such as "health," "income security," "national defense"). The recommendations in the resolution reported by the Budget Committee are subject to debate and amendment.

When agreed to by the House and the Senate (which is required to happen by April 15), the budget resolution represents congressional judgment of the appropriate fiscal situation for the coming year. The resolution is intended to guide the development of legislation providing for taxes and spending, and such legislation can be subject to points of order if it is inconsistent with meeting the overall revenue and spending totals in the resolution.

The budget resolution also may include "reconciliation" instructions to direct the appropriate committees to report legislation changing spending, revenue, or debt limit levels. Upon adoption by Congress of the resolution, committees affected by such instructions must report legislation meeting the spending or revenue totals in the instructions. This legislation is then debated by Congress as part of a reconciliation bill under special expedited procedures. Action on this reconciliation bill is to be completed by June 15.

3. Waiver of Rules Regarding Budget Procedure

Some of the rules applicable to Senate procedures under the Congressional Budget Act can be waived by a majority vote of the Senate. Others require a vote of three-fifths of the full Senate membership (60 votes). In addition, the act includes a special waiver procedure in connection with the provisions requiring that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on before the adoption of the budget resolution. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for waiver of the rule. This resolution would be referred to the Budget Committee, which would have 10 days in which to consider and make its recommendations with respect to the waiver. Once the resolution is reported by the Budget Committee (or after 10 days in any case), the resolution of waiver would be voted on by the Senate. If it were approved, the Senate could then proceed to consider the legislation,

4. Impact of the Budget Act on Finance Committee

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the concurrent resolution on the budget, each committee is required to make a report to the Budget Committee presenting its views and estimates concerning spending under its jurisdiction during the coming fiscal year (and the following two fiscal years). By statute this report is due no later than February 25. This year the reporting date has been postponed to March 8.

Allocation report after adoption of budget resolution.—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the House of Representatives, to subdivide its allocation of new budget authority and outlays among the programs under its jurisdiction or among its subcommittees. These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution. Bills and amendments involving spending may not be considered until the committee with jurisdiction over that spending program has filed its allocation report, and points of order may be raised against bills or amendments which are not accommodated in these allocation reports. See appendix F which contains a reprint of the most recent allocation report of the Committee on Finance.

Limitation on consideration of spending bills.—The Congressional Budget Act provides that bills involving appropriated entitlement programs (such as welfare or Medicaid) and bills directly increasing spending authority (such as social security or unemployment insurance) may not be considered in the Senate prior to the adoption of the concurrent budget resolution. This requirement may be waived under the special waiver procedure or by a majority vote of the Senate to suspend this rule. In addition, entitlement legislation (other than trust fund legislation) reported after January 1 of any year may not have an effective date prior to October 1 of that year.

Impact of concurrent budget resolutions on legislation.—The concurrent resolution, which is to be passed by April 15, not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report reconciliation legislation to rescind previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on Finance, in order to meet such a requirement that the committee could report legislation to defer or reduce benefits under entitlement programs, including both trust fund programs (such as unemployment insurance or Medicare) and non-trust-fund programs (such as welfare, social services or Medicaid). Reconciliation legislation may not include changes in the Social Security programs of Old-Age, Survivors and Disability Insurance (OASDI).

After the adoption of the budget resolution for a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution to be exceeded or would cause the deficit for the fiscal year to exceed the maximum deficit amount. In the case of the Committee on Finance, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new or revised budget resolution could, however, be passed to authorize such additional spending, or the rule could be waived by a three-fifths vote of the Senate.)

The budget totals included in the resolution are mandatory, establishing firm guidelines within which the Congress considers legislation affecting spending. Thus, if unrealistic assumptions or objectives are used in setting the budget resolution totals, committees may subsequently find their ability to act on desired legislation impaired.

Appropriations Committee review of certain entitlement bills.—Legislation in such areas as supplemental security income, welfare, social services, or Medicaid creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriations acts. The Congressional Budget Act requires that any future legislation which would create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is reported by the substantive committee, if its enactment would exceed the amount provided for in the committee's allocation of its spending authority under the most recent budget resolution. The Appropriations Committee could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such an amendment is approved by the Senate, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit.

The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues. It would also not apply to legislation amending or extending the general revenue sharing program to the extent that such legislation included an exemption from that requirement.

In the past, refundable tax credits were treated for purposes of the congressional budget process as revenue reductions. Under revised procedures adopted in 1978, the budget process now treats the refundable aspects of such credits as "outlays" thus bringing them within the scope of the above described provisions related to Appropriations Committee review of entitlement bills. In addition, the authority previously used for disbursing the refundable part of tax credits has been the permanent appropriation for tax refunds. This permanent appropriation was amended in 1978 so as to require annual appropriations for this purpose in the case of any new programs of this type which may be enacted.

Report on spending legislation.—The Budget Act requires the committee, in reporting legislation involving increased spending, to include in the report information showing how that spending compares with the amount of spending provided for in the most recent budget resolution. In addition, if this information is provided by the Congressional Budget Office (CBO) on a timely basis, the report must also include CBO projections showing the extent to which the legislation provides financial aid to States and localities and a projection for five fiscal years of the spending which will result from the legislation. This requirement also applies to conference reports, if the information is provided by CBO on a timely basis.

LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

Annual report to the Budget Committee.—The annual report to the Budget Committee which is described above also must, in the case of the Finance Committee, present its views and estimates with regard to revenues and the debt limit.

No revenue legislation prior to adoption of the budget resolution.—Under the Budget Act, debt limit or revenue legislation for the upcoming fiscal year is not in order for consideration by the Senate (or House) prior to the adoption of the resolution on the budget. This rule does not prevent action on revenue changes to be effective in years after the upcoming fiscal year. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the Senate.)

The wording of this provision of the Budget Act is not entirely clear. In 1978, the Senate Budget Committee adopted the position that this restriction required that there be no increase or decrease in revenues to become effective in the next fiscal year for which no budget resolution had been adopted. In other words, under this interpretation, there would always be one "closed year" for which no revenue change could be considered. Consequently, a point of order was raised during the consideration of the 1978 tax cut bill (H.R. 13511) against an amendment by Senator Roth on the grounds that it provided for a revenue change effective in fiscal year 1980. (The first budget resolution for fiscal year 1980 would not have been adopted until approximately May 15, 1979.) The position of the Finance Committee was that this restriction in the Budget Act only applied from the beginning of the calendar year, when the process of developing the fiscal 1980 budget resolution has begun. Once that resolution has been approved, revenue changes may be considered throughout the remainder of the calendar year which would be effective for the fiscal year to which the resolution applies and for any future fiscal year.

The point of order raised by the Budget Committee was sustained by the Chair, but the ruling of the Chair was overturned by the Senate on a vote of 38 to 48. This occurred on October 5, 1978.

Impact of a budget resolution.—As with spending measures, the concurrent resolution adopted in mid-April sets mandatory levels for revenue and debt limit legislation, and may direct the Committee on Finance to report reconciliation legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determined to be appropriate. Such legislation would have to be reported in time to be included in the reconciliation bill which is to be acted upon by June 15.

Once a budget resolution is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the levels specified in the budget resolution would be subject to a point of order. If the budget resolution sets a revenue target which exact-ly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having nearly negligible revenue impacts can be rejected on a point of order. If the resolution includes goals based on unrealistic assumptions about revenue increases, the committee will face points of order against the consideration of any revenue reducing legislation.

Required report on tax expenditures.—The Budget Act defines the term "tax expenditures" to include any revenue losses attributable to tax provisions such as income exclusions, tax credits or deferrals, or preferential tax rates. The law requires that the committee report accompanying legislation to provide new or increased tax expenditures include a projection by CBO (if timely received) as to how such legislation will affect the level of tax expenditures under existing law. The report will also have to include (to the extent practicable) a projection of the tax expenditures resulting from the legislation over a period of five years. This requirement also applies to conference reports.

CHARTS AND DESCRIPTIONS

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Chart 1

Report to Budget Committee

Views and estimates of Finance Committee on:

1. Expenditures
2. Revenues
3. Tax expenditures
4. Public Debt

Relating both to existing law and proposals to change existing law

Chart 1

Report to Budget Committee

Under the Congressional Budget Act of 1974, as amended, the Committee on the Budget is required by April 1 of each year to report to the Senate a concurrent resolution on the budget which is, in effect, a proposed congressional budget document setting forth appropriate levels of Federal expenditure and revenue, surplus or deficit, and related matters. To assist the Budget Committee in making the judgments necessary to develop such a budget, the Act also mandates that each committee send to the Budget Committee its views and estimates on those aspects of the budget which fall within its jurisdiction. This report is due by February 25 of each year. For 1989, this deadline has been changed to March 8.

In the case of the Committee on Finance, the report to the Budget Committee must cover the expenditure programs under Finance Committee jurisdiction which are listed on chart 5, Federal revenues, tax expenditures, and the public debt. With respect to each of these matters, the committee is required to provide its views and estimates as to the levels anticipated under existing law or under any changes to existing law which the committee expects. The period to be covered by the report to the Budget Committee is fiscal year 1990 (and for planning purposes, fiscal years 1991 and 1992). The reports sent to the Budget Committee in 1987 and 1988 are reprinted in Appendix A.

Section 301(c) of the Budget Act, which deals with the February 25 report to the Budget Committee, is included in the excerpts from that Act which appear in Appendix B.

Chart 2.—ECONOMIC ASSUMPTIONS

[Calendar years; dollars in billions]

	1989		1990		1991		1992	
	CBO	OMB	CBO	OMB	CBO	OMB	CBO	OMB
Gross national product (GNP):								
Current dollars	5,209	5,211	5,542	5,570	5,902	5,939	6,281	6,296
Percent change in real GNP	2.9	3.2	2.1	3.2	2.2	3.3	2.2	3.2
Wages and salaries	2,615	2,605	2,787	2,780	2,969	2,969	3,163	3,159
Other personal income	1,754	1,721	1,870	1,853	1,977	1,955	2,090	2,043
Corporate profits	328	351	351	396	378	442	390	475
Percent change in CPI	4.9	3.8	4.9	3.7	4.6	3.2	4.4	2.7
Unemployment rate, total (percent)	5.5	5.2	5.5	5.1	5.5	5.0	5.6	5.0
Treasury bill rate, 91-day (percent)	7.9	6.3	7.1	5.5	6.7	4.5	6.4	4.0

Chart 2

Economic Assumptions

Both the overall budget totals and the budgetary impact of legislative proposals can be significantly affected by various economic factors concerning which there reasonably may be differences of opinion. These differences can reflect divergent viewpoints as to how the economy will operate and as to the type of legislation that may be enacted and its effect on the operations of the economy.

Different programs are particularly sensitive to different aspects of the economy. For example, expenditures under social security are sensitive to the Consumer Price Index (CPI) since that program includes an automatic cost-of-living increase provision. The unemployment insurance program does not incorporate such a provision but is, of course, particularly sensitive to the amount of unemployment.

Revenues, similarly, are strongly affected by the level of personal income and of corporate profits, and, in the case of payroll tax revenues, by wages and salaries. In addition, trends in interest rates, the rate of inflation, and the size of the budget deficit affect the cost of interest on the public debt.

In developing the Congressional budget, the Congress has most frequently used the economic assumptions of the Congressional Budget Office. Inasmuch as the Gramm-Rudman-Hollings legislation is based upon determinations made by the Office of Management and Budget (OMB), the Congress in 1988 used the OMB economic assumptions which were the basis for the President's budget. This chart shows the major economic assumptions underlying the budget as submitted by President Reagan in January and also those which have been adopted by CBO. In general, the CBO assumptions project somewhat slower economic growth, higher inflation and interest rates, and higher unemployment levels. The OMB assumptions shown in the table are understood to be generally consistent with the revised budget submitted by President Bush although with some modifications.

Chart 3.—THE OVERALL BUDGET

[in billions of dollars]

	CBO Baseline			OMB Current Services			President's Budget		
	FY90	FY91	FY92	FY90	FY91	FY92	FY90	FY91	FY92
Budget:									
Outlays	993	1,053	1,106	964	1,006	1,037	937	978	1,005
Revenues	779	828	876	769	824	877	777	835	887
Deficit	–214	–225	–230	–196	–182	–160	–160	–143	–118
Social Security:									
Outlays	222	234	243	220	231	241	220	232	241
Revenues	290	312	333	289	312	332	289	313	332
Surplus	68	79	90	69	81	91	69	81	91
"Gramm-Rudman-Hollings":									
Deficit	–146	–146	–140	–127	–102	–70	–91	–62	–27
Target	–100	–64	–28	–100	–64	–28	–100	–64	–28
Difference	46	82	112	27	38	42	+8	+2	+1

Chart 3

The Overall Budget

In considering its legislative plans for the upcoming year, the Committee may find it useful to look at the overall budget totals under a continuation of current tax and spending policies and also under the budget proposed by the President.

Because of differing economic and technical assumptions, OMB and CBO project somewhat different budgetary totals under a continuation of current policies. For fiscal year 1990, the CBO projection would indicate a need for $46 billion in deficit reduction in order to meet the $100 billion deficit required by the Emergency Deficit Reduction and Budget Control Act ("Gramm-Rudman-Hollings"). The OMB current services projections would show a need for $26 billion in deficit reduction to meet that target. (Under specific rules for computing the Gramm-Rudman-Hollings baseline, the required deficit reduction to meet the target could be as low as $22 billion.)

Present law requires that the income and outlays of the social security cash benefit trust fund programs be excluded from the budget totals. However, these items are added back in to determine whether or not the "Gramm-Rudman-Hollings" targets are met.

This chart shows the overall budget totals under the budget submitted by the President and also under a continuation of current policy as estimated in the CBO baseline and in the OMB current services budgets.

The totals shown for the President's budget are those appearing in the February 9 budget revision submitted by President Bush. (The budget document submitted by President Bush did not show the social security portion separately; the social security totals in this chart are therefore based on the original January budget.)

Chart 4
FEDERAL SPENDING
Role of Finance Committee Programs

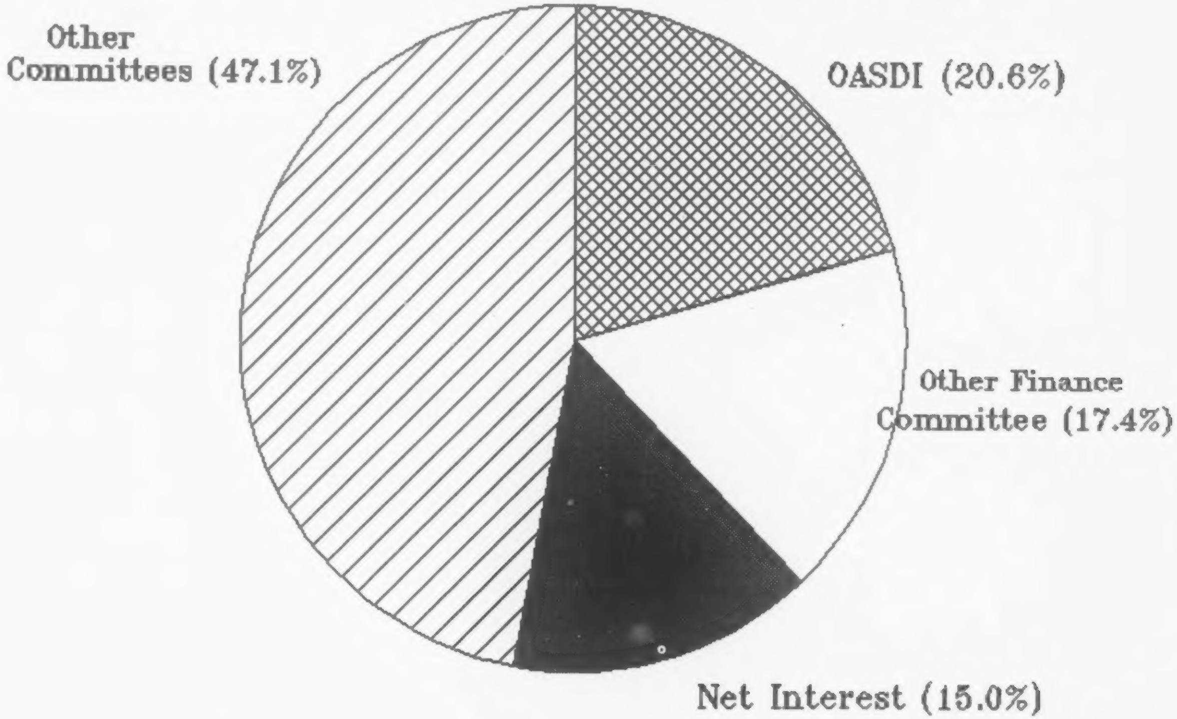

Chart 4

Federal Spending: Role of Finance Committee Programs

Chart 4 shows how the budgetary impact of Finance Committee spending jurisdiction relates to total Federal spending for fiscal year 1990. Amounts shown reflect the current policy estimates of the Congressional Budget Office as follows:

[In billions of dollars]

Total spending:	
Finance Committee programs:	
Social Security (OASDI)	250
Other accounts	[1] 211
Net Interest	[2] 182
Non-Finance Committee programs	572
Total outlays	1,215

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[1] Excluding interest accounts.

[2] See Chart 15 for relationship of net interest to interest on the public debt.

Chart 5

Major Expenditure Programs Under Finance Committee Jurisdiction

1. Social security cash benefits (see chart 6):
   - A. Old-age and survivors insurance (OASI)
   - B. Disability insurance (DI)
2. Unemployment compensation (UC) (see chart 7)
3. Welfare programs for families (see chart 8):
   - A. Aid to families with dependent children (AFDC)
   - B. Work incentive (WIN) and Job Opportunities and Basic Skills Training (JOBS) programs
   - C. Child support enforcement (CSE)
   - D. Child Welfare, Foster Care, and Adoption Assistance
4. Earned income tax credit (EITC) (see chart 9)
5. Social services (see chart 10)
6. Child care (see chart 11)
7. Supplemental security income (SSI) for the aged, blind, and disabled (see chart 12)
8. Health programs (see charts 13–14):
   - A. Medicare
   - B. Medicaid
   - C. Maternal and child health (MCH)
9. Interest on the public debt (see chart 15)

Note: See Appendix E for a more detailed listing of Finance Committee expenditure accounts.

Chart 5

Major Expenditure Programs Under Finance Committee Jurisdiction

This chart lists the major programs involving an expenditure of Federal funds which come within the legislative jurisdiction of the Committee on Finance. Each of these programs is covered in more detail in the following charts. Interest on the public debt is included as an expenditure program since it constitutes a significant part of the Federal budget even though the level of expenditure is not subject to legislative control in the same sense as expenditures under the other programs listed.

Under a revision in the Congressional budget procedures adopted in the 95th Congress, refundable tax credits are treated as revenue items insofar as they serve to reduce tax liability and as "outlay" items insofar as they exceed tax liability. For this reason, the earned income tax credit is shown here as an expenditure program.

Chart 6.—SOCIAL SECURITY CASH BENEFIT (OASDI) TRUST FUNDS

[In billions of dollars]

	Fiscal year—					
	1989	1990	1991	1992	1993	1994
Present law: [1]						
Income to trust funds	288.3	315.3	343.0	367.9	395.3	419.7
Outgo from trust funds	232.5	246.9	262.6	277.3	291.1	304.0
Difference	55.8	68.4	80.4	90.6	104.2	115.7
End of year balance in trust funds	160.0	228.3	308.7	399.4	503.5	619.3
Trust fund ratio (percent) [2]	53	72	95	119	145	174

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[1] These are projections under current law based on the economic and demographic assumptions used in the fiscal year 1990 budget submitted by President Reagan.

[2] Assets at the start of the year are equal to the assets at the end of the prior year plus the advance tax transfers for October.

Source: SSA Office of the Actuary, January 11, 1989.

Chart 6

Social Security Cash Benefit (OASDI) Trust Funds: Financial Status and Relationship to the Budget

The social security cash benefit programs, Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI), provide income protection to people who work in employment covered by social security and earn a certain minimum number of "quarters of coverage". The OASI program pays benefits to eligible workers age 62 or older and their spouses and children, and to surviving spouses and children of deceased workers. The DI program pays benefits to disabled workers and to their spouses and children.

The Administration estimates that on average in fiscal year 1990 a total of 35.4 million individuals will receive monthly social security benefits from the Old Age and Survivors Insurance Trust Fund, as retired workers or their dependents, or as survivors of deceased workers. In addition, some 4.1 million individuals will receive benefits from the Disability Insurance Trust Fund as disabled workers or as dependents of disabled workers. In total, approximately 39.5 million people will be receiving some type of monthly social security cash benefit.

The status of the trust funds.—The Administration budget projections under current law for the next 5 years continue to reflect an improving financial outlook for the OASDI trust funds with the combined trust reserve ratio growing from 53 percent of the projected annual outgo at the beginning of fiscal year 1989 to 174 percent at the beginning of fiscal year 1994.

The following table displays the economic assumptions underlying the budget as they relate to the OASDI program.

ADMINISTRATION'S ECONOMIC ASSUMPTIONS RELATED TO SOCIAL SECURITY

[In percent]

	Calendar year—						
	1988	1989	1990	1991	1992	1993	1994
Percent change in CPI	3.9	3.9	3.7	3.2	2.7	2.2	1.7
Benefit increase [1]	4.0	3.6	3.9	3.2	2.6	2.1	1.6
Real wage differential	2.4	1.7	1.8	2.4	2.7	2.6	2.5
Civilian unemployment rate	5.5	5.3	5.2	5.0	5.0	5.0	5.0

[1] Benefit increase payable in January of the following year.

Limitation on administrative expenses.—The 1990 budget requests $3,833 million in budget authority for administrative expenses, an increase of $83 million compared to 1989.

Social Security Cash Benefit Program (OASDI): Proposed Legislation

The budget submitted by President Reagan included two proposals affecting the Old-age, Survivors, and Disability Insurance program. (A third proposal is described in the budget documents, but this proposal actually affects tier I of the Railroad Retirement program rather than Social Security.)

Adopted children.—Under present law, benefits are payable to the children of individuals who get retirement or disability benefits. In the case of natural children, these benefits are payable without regard to whether the birth occurred before or after the parent retired or became disabled and without regard to whether or not the parent actually supports the child. In the case of adopted children, however, benefits are payable only if the adoption took place before the individual's entitlement to retirement or disability benefits or if the child was living with and being supported by the worker during the year before the worker became disabled or retired. Under the budget proposal, adopted children would qualify on the same basis as natural children. This proposal in the Reagan budget was specifically endorsed in the February 9 budget revision submitted by President Bush.

Advance tax transfer.—A second proposal in the Reagan budget would end the advance tax transfer provision. These provisions were adopted in the 1983 social security amendments when trust fund balances were precariously low. They provide for crediting the social security trust funds at the beginning of each month with the social security taxes expected to be collected during the month. The trust funds are required to repay the general fund for any interest paid on amounts transferred in advance of when they are collected so that there should be no financial advantage to either the trust funds or the general fund. In some cases, however, the availability of the advance tax transfer makes it possible for the trust funds to avoid redeeming investments that would otherwise be needed to meet benefit payments at the start of the month. Depending on prevailing interest rates, this apparently unintended effect could result in the trust funds earning more or less interest than would be the case in the absence of the advance tax transfer provision. The Administration estimates that the provision will result in a lowering of interest paid to the trust fund over the next several years. Since interest payments are an interfund transaction, there would be no budgetary impact on the "unified" or Gramm-Rudman-Hollings deficit.

Chart 7.—UNEMPLOYMENT COMPENSATION

[In billions of dollars]

Unemployment trust fund	Fiscal year—	
	1989	1990
Status of State accounts:		
Income:		
State taxes	17.4	16.5
Interest	2.5	2.9
Total	19.9	19.4
Outgo:		
State benefits	13.6	14.0
Federal loans repaid	0.4	0.2
Total	14.0	14.2
Balance at end of year	37.3	42.5
Less outstanding Federal loans	0.8	0.6
Net balance	36.5	41.9
Status of extended benefit account:		
Income:		
Federal taxes/interest	1.6	1.9
Transfer from other account	0.8	0.8
Total	2.4	2.6
Outgo	0.0	0.0
Balance at end of year	6.0	8.7
Status of administration account:		
Income:		
Federal taxes and interest	3.7	3.8
Transfer from other account	0.0	1.4
Total	3.7	5.2

Chart 7.—UNEMPLOYMENT COMPENSATION—Continued

[In billions of dollars]

Unemployment trust fund	Fiscal year— 1989	Fiscal year— 1990
Outgo:		
State unemployment insurance service	1.7	1.7
State employment service	1.0	1.0
Federal administration	0.1	0.2
Transfer to other account	0.8	0.9
Total	3.5	3.7
Balance at end of year	2.0	3.4
Status of Federal unemployment (loan) account:		
Income:		
Federal taxes and interest	0.7	0.7
State loan repayments	0.4	0.2
Transfer from other account	0.0	0.1
Total	1.1	1.0
Outgo:		
Loans to States	0.0	0.0
Repayments to general fund	1.0	0.9
Total	1.0	0.9
Balance at end of year	2.1	2.1
Less outstanding Federal loans	0.9	0.0
Net balance	1.2	2.1

Chart 7

Unemployment Compensation

The unemployment compensation system was enacted as a part of the Social Security Act of 1935 to provide partial wage replacement to covered workers during periods of temporary and involuntary unemployment. The program is a joint Federal-State system composed of programs administered by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The major provisions of the unemployment compensation program are determined by State laws. In general, State laws establish eligibility requirements, the number of weeks an individual may collect unemployment compensation, the amount of the weekly benefit, the circumstances under which benefits may be denied, the length of denial, and the State unemployment tax structure.

The unemployment compensation system is financed by State and Federal payroll taxes on employers. Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 6.2 percent on the first $7,000 of wages is levied on employers. If the State's unemployment compensation program meets the requirements of Federal law, employers in that State receive a 5.4 percent credit against the 6.2 percent Federal unemployment tax. Thus, the effective Federal tax rate in a State which has an approved program is 0.8 percent. The effective tax rate may be higher in States having outstanding unemployment insurance loans from the Federal Government. The tax rate and the net effective tax rate are scheduled to drop by 0.2 percentage points (to 6.0 and 0.6) as of January 1, 1991.

The Federal tax is used to pay State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to pay most of the cost of operating State employment service programs, to fund 50 percent of the extended benefits paid to unemployed workers under the Federal-State Extended Unemployment Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow when it lacks funds to pay State unemployment compensation benefits.

States also levy unemployment compensation taxes on covered, private employers in the State. State taxes finance regular State benefits and one-half the cost of extended benefits. State unemployment funds are deposited with the Federal Government in the unemployment trust fund, which is a part of the unified Federal budget. States then pay benefits from this fund.

Most unemployment benefits are paid through the Federal Unemployment Trust Fund which consists of a number of accounts and which draws its funding partly through State payroll taxes, partly through the Federal Unemployment Tax, and partly from general revenues.

Regular State unemployment benefits are paid by the States from individual State accounts in the trust fund. These State accounts are primarily funded by State payroll taxes on employers. However, if a State account is unable to meet its obligations, the State account may be supplemented by loans from a Federal loan account in the trust fund.

In most States, regular State unemployment benefits are payable for a maximum of 26 weeks. In times of high unemployment, the Federal-State extended benefit program goes into effect providing up to 13 additional weeks of benefits.

The extended benefits program triggers on in a State when the insured unemployment rate (IUR) in that State reaches at least 5 percent and is at least 20 percent higher than the rate prevailing on average during the comparable period in the previous 2 years. However, a State may elect an optional trigger which permits the payment of extended benefits when the State IUR is at least 6 percent, even if that rate is not 20 percent higher than the rate prevailing in the 2 prior years. At the present time, no State meets either the mandatory or optional trigger conditions.

Federal general revenue funds are advanced as needed to cover shortages in the account which pays the Federal share of extended benefits and in the account from which States borrow to meet shortages in State accounts. By the end of FY 90, all outstanding general fund advances are now expected to be repaid.

A special program also exists for workers in the railroad industry. This is funded by employer contributions which are paid into a separate trust fund account administered by the Railroad Retirement Board.

There is also a special unemployment benefits program for trade-impacted workers. This is described in chart 16.

The target budget deficits under the Gramm-Rudman-Hollings law reflect the impact of unemployment taxes and spending (including both Federal and State accounts). If, however, the target deficits are not met, the automatic "across-the-board" spending reductions are applied to unemployment benefits according to special rules. Regular State benefits and benefits for former Federal employees and ex-servicemen are exempt from any reduction. Extended benefits, as such, are not reduced, but the Federal share of the funding for these benefits is subject to reduction. States have the option of reducing or not reducing the actual benefit payments to reflect the reduction in Federal funding.

For fiscal year 1990, the Administration's budget does not propose any legislative changes in unemployment compensation.

Chart 8.—WELFARE PROGRAMS FOR FAMILIES

[In billions of dollars]

	Fiscal year—	
	1989	1990
Aid to families with dependent children:		
Welfare payments [1]	8.9	[2] 8.4
Administration	1.5	1.6
WIN/JOBS program	.1	.3
Child care:		
WIN/JOBS	*	.1
Transitional assistance [3]		.1
Child support:		
Non-AFDC collections	3.8	4.5
AFDC collections	1.7	1.9
Gross Federal share of AFDC collections	.8	.8
Total AFDC/non-AFDC administrative costs	1.4	1.5
Federal share	.9	1.0
Incentive payments	.3	.3
Title IV-B (child welfare services/training)	.3	[4]
Title IV-E (foster care, adoption assistance, independent living)	1.0	[4]

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[1] Includes reductions for child support enforcement collections of $494 million in 1989 and $552 million in 1990.

[2] The Administration assumes a decrease of $516 million due to resumed collection of error rate disallowances incurred by States between fiscal years 1981 and 1984.

[3] Federal matching for transitional child care assistance becomes available to the States April 1, 1990.

[4] The Administration proposes to combine Child Welfare Services, Foster Care and Adoption Assistance administrative and training costs, and Independent Living into one discretionary program funded at $739 million for 1990, $35 million less than the 1989 total for the authorities being combined into the new program. Foster Care and Adoption Assistance maintenance payments would continue to be treated as entitlements, funded at $715 million in 1990.

* Less than $50 million.

Chart 8

Welfare Programs for Families

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. At the present time, States, at their option, may also provide benefits for families in which dependency arises from a parent's unemployment. A provision in the Family Support Act of 1988 requires all States to provide benefits to families with unemployed parents beginning in fiscal year 1991. (States may choose to provide these benefits on a time-limited basis, but for no less than 6 months in a 12-month period.) States establish their own income eligibility and benefit levels.

The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Government is 55 percent. The AFDC program is not subject to reduction under the Public Law 99-177 sequestration procedures.

According to the Administration, under present law the average number of families and recipients receiving monthly payments is as follows:

[In millions]

	Fiscal year—		
	1988	1989 est.	1990 est.
Families	3.7	3.7	3.8
Individuals	10.9	10.9	10.9

Administration estimates for Federal program costs under present law are as follows:

[In millions of dollars]

	Fiscal year—		
	1988	1989 est.	1990 est.
AFDC benefits [1]	8,551	8,746	8,230
Emergency assistance	96	131	137
Other assistance payments	14	16	16
State and local administration and training	1,276	1,475	1,599
Total	9,937	10,368	9,982

[1] Includes reductions for child support enforcement collections of $452 million in 1988, $494 million in 1989, and $552 million in 1990. The Administration also assumes a decrease of $516 million in 1990 due to resumed collection of error rate disallowances incurred by States between fiscal years 1981 and 1984.

B. WIN/JOBS

The work incentive (WIN) program, enacted in 1967, provides employment and training services for AFDC recipients, including those who are required to register as well as those who volunteer for services. The program also provides support services, including child care, for those who need them in order to work or take training. Legislation enacted in 1981 (the Omnibus Budget Reconciliation Act of 1981) authorized States to operate WIN demonstration programs of their own design as an alternative to the regular WIN program. WIN is a discretionary program, with an appropriation of $93 million in 1988 and $91 million in 1989.

The Family Support Act of 1988 provided for replacement of the WIN program with a new Job Opportunities and Basic Skills Training program (JOBS). The new legislation provides Federal matching funds to the States through a capped entitlement mechanism aimed at assuring each State its share of Federal dollars equal to $600 million in 1989, $800 million in 1990, $1 billion in 1991, 1992, and 1993, $1.1 billion in 1994, and $1.3 billion in 1995. States must implement the JOBS program by October 1, 1990, but may choose to do so as early as July 1, 1989. They are required to operate a WIN or WIN demonstration program until their JOBS program is in place.

The Federal match for the JOBS program is 90 percent for expenditures up to the amount allotted to the State for WIN in fiscal year 1987. Of additional amounts, the Federal match is at the Medicaid matching rate, with a minimum Federal match of 60 percent for non-administrative costs and for personnel costs for full-time staff working on the JOBS program. The match for other administrative costs (including evaluation) is 50 percent. State matching for amounts above the 1987 WIN allocation must be in cash. States will receive an amount equal to their WIN allotment for fiscal year 1987 ($126 million for all States). Additional funds are allocated on the basis of each State's relative number of adult recipients.

State JOBS programs must include a range of services and activities, including educational activities, job skills training, job readiness activities, job development and job placement, and specified supportive services, including child care. States must also offer two of the following four activities: group and individual job search, on-the-job training, work supplementation, and community work experience or other work experience program.

Responsibility for administration of the new program will lie with the welfare agency at both the Federal and State levels. At the Federal level, there will be a new Assistant Secretary for Family Support in the Department of Health and Human Services who will have responsibility for administering the JOBS program, as well as the child support and AFDC programs.

C. CHILD SUPPORT ENFORCEMENT

The purpose of the Child Support Enforcement (CSE) program is to locate absent parents, establish paternity, obtain child and spousal support, and assure that assistance in obtaining support is available to all children (whether or not eligible for AFDC) for whom such assistance is requested.

As a condition of eligibility for AFDC, each applicant or recipient must assign the State any right to support which she may have in her own behalf or in behalf of children in the family, and must cooperate with the State in establishing paternity and in obtaining support payments. States are also required to provide child support services to families who are not eligible for AFDC upon their application for services.

The Federal Government pays 68 percent of State and local administrative costs for services to both AFDC and non- AFDC families on an open-ended entitlement basis. The 68 percent match is scheduled to decline to 66 percent in 1990. In addition, 90 percent Federal matching is available on an open-ended entitlement basis to States that elect to establish an automated data processing and information retrieval system.

Collections made on behalf of AFDC families are used to offset the cost to the Federal and State governments of welfare payments made to the family. However, the first $50 per month of such collections is passed through to the family. The amounts retained by the government are distributed between the Federal and State governments according to the proportional matching share which each has under the State's AFDC program.

Finally, as an incentive to encourage State and local governments to participate in the program, the law provides for a basic payment equal to a minimum of 6 percent of collections made on behalf of AFDC families plus 6 percent of collections made on behalf of non-AFDC families. The amount of each State's incentive payment could reach a high of 10 percent of AFDC collections plus 10 percent of non-AFDC collections depending on the cost-effectiveness of the State's program. (In fiscal year 1989 the incentive payments for non-welfare collections may not exceed 110 percent of the incentive payments for welfare collections. This percentage increases to 115 percent in 1990 and years thereafter. These incentive payments are financed from the Federal share of collections.)

According to the Administration, child support collections and expenditures under present law are as follows:

[In millions of dollars]

	Fiscal year—		
	1988	1989 est.	1990 est.
Total collections	4,650	5,500	6,431
AFDC collections [1]	1,514	1,721	1,928
Non-AFDC collections	3,136	3,779	4,504
Total administrative costs:			
(Federal and State)	1,204	1,365	1,543
(Federal share)	827	941	1,033
Federal incentive payments to States	225	260	294

[1] The Federal share of collections is included in the AFDC appropriation as an offset to AFDC benefits.

The program made collections on behalf of 613,000 AFDC families and 1,067,000 non-AFDC families in fiscal year 1988.

The Child Support Enforcement Amendments of 1984 required States to adopt numerous procedures to collect overdue child support payments, including mandatory wage withholding, liens against property, and withholding of State income tax refunds, and to permit establishment of paternity until a child's 18th birthday. The 1984 amendments also made more generous the formula for Federal incentive payments to States for child support collections and extended those incentives to collections made on behalf of non-AFDC children. The amendments provided for reducing the Federal matching share for State and local administrative costs from 70 percent to 68 percent in 1988, and to 66 percent in 1990 and years thereafter. This act also modified the audit and penalty provisions under which the Federal agency monitors State program effectiveness.

The 1984 Act also required States to continue to provide services to AFDC families after they leave the rolls; authorized the Secretary of Health and Human Services to make project grants to States for developing new methods of support establishment and collection in interstate cases; extended the Federal income tax return intercept program to non-AFDC families; required each State to establish guidelines for child support awards within the State; extended Medicaid eligibility for four months to families that lose eligibility for AFDC as a result of child support collections; and encouraged States to focus on the issues of child support, child custody, visitation rights, and other related domestic issues through the establishment of special State commissions.

Major amendments to the child support enforcement program were also included in the Family Support Act of 1988. Under these amendments, judges and other officials making child support awards will be required to use State-developed guidelines in setting award amounts as a rebuttable presumption. In addition, States will be required to establish a mechanism to update awards on a regular basis; implement immediate mandatory wage withholding procedures; implement approved statewide automated tracking and monitoring systems; inform AFDC families of the amount of support collected on their behalf on a monthly basis (rather than annually as required under prior law); and meet minimum paternity establishment performance standards. The capacity of States to establish paternity will further be enhanced by providing higher (90%) Federal matching for laboratory testing.

The 1988 law also requires the Secretary of HHS to set standards specifying time limits in which a State must respond to requests for services, including requests to locate absent parents, establish paternity, or initiate proceedings to establish and collect support. A new Commission on Interstate Enforcement is established to recommend improved procedures for enforcement in interstate cases.

D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

The child welfare services program, authorized under title IV-B of the Social Security Act, is a 75 percent Federal matching grant program for States for the provision of child welfare services to children and their families without regard to the family's income. The State allocations are based on the State's per capita income and the size of its population under age 21 compared to all the States. The fiscal year 1989 appropriation for child welfare services was $247 million; for child welfare training, $4 million; and for child welfare research and demonstration, $11 million.

The foster care program, authorized under title IV-E of the Social Security Act, provides matching funds on an entitlement basis to States for maintenance payments for AFDC-eligible children in foster care. The Federal matching rate for a given State is that State's medicaid matching rate, and averages about 55 percent nationally. Federal matching at a 50 percent rate is available for costs of administration. The fiscal year 1989 appropriation for foster care was $941 million (including both maintenace payments and administration).

In addition, there was an appropriation of $45 million for grants to States to help title IV-E foster care children age 16 and over prepare for independent living. These funds are allocated to the States on the basis of each State's relative number of children receiving title IV-E foster care maintenance payments in 1984. There is no State matching requirement. The independent living program was originally authorized for two years, 1987 and 1988. It has been extended for one additional year.

The adoption assistance program, also authorized under title IV-E, provides Federal matching funds to States on an entitlement basis, at the Medicaid matching rate, for payments to parents who adopt an AFDC- or SSI-eligible child with "special needs." Special needs are defined as a condition, such as ethnic background, age, membership in a sibling group, or mental or physical handicap, which prevents the placement of the child without assistance payments. The amount of assistance provided to parents varies, depending on the circumstances of the family and the child's needs. The fiscal year 1989 appropriation for this program was $134 million (including both maintenace payments and administration).

PROPOSED LEGISLATION

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The Reagan budget for 1990 includes two proposals to reduce the cost of the AFDC program. The Administration's estimates of savings are shown below:

AFDC PROPOSALS—SAVINGS/COSTS

[In millions of dollars]

	Fiscal year—			3-year total
	1990	1991	1992	
AFDC quality control	-80	-80	+136	-24
Reduce Federal administrative matching	-123	-129	-124	-376

AFDC quality control proposals.—Under present law, States may be held liable for the cost of benefit payments made in excess of Federally-established error tolerance levels, generally referred to as target error rates. P. L. 97-248 established the AFDC target error rate for fiscal year 1983 at 4 percent. It was reduced to 3 percent for fiscal year 1984 and years thereafter. The law provides that Federal penalties for State benefit payments made in excess of target error rates will be applied retrospectively, i.e., after a determination by the Federal Government of the amount of payments that were actually paid erroneously in a prior year.

A provision in the Consolidated Omnibus Budget Reconciliation Act of 1985 established a two-year moratorium on Federal collections of State AFDC benefit payments made in excess of target error rates. This moratorium has been extended twice, most recently by an amendment to Public Law 100-285, the Family Support Act of 1988, which provides for continuation of the moratorium through June 30, 1989.

The Reagan 1990 budget assumes $516 million in savings from the collection of error rate disallowances incurred by States between fiscal years 1981 and 1984. (Collections totaling $63 million are projected for the final quarter of 1989.) Collections of liabilities incurred between 1985 and 1990 are projected to occur in fiscal year 1991 ($896 million) and 1992 ($735 million).

The Reagan budget includes a proposal to replace the current 3 percent target error rate threshold for determining State liability with a three-tiered system. Under the proposed system, beginning in fiscal year 1990 State errors would be treated as follows: (1) States with error rates below 3 percent would receive bonus incentive payments equal to 50 percent of the Federal savings between the actual error rate and 3 percent; (2) States with error rates between 3 and 6 percent would be required to submit a comprehensive corrective action plan to reduce error rates (HHS would provide technical assistance; Secretarial approval would not be required); and (3) States with error rates in excess of 6 percent would be penalized by the withholding of AFDC matching funds (withholding would be based on the 3 prior years of published error rates) on a prospective basis. The Administration estimates that under this formulation, the annual level of State penalty payments would be about $80 million.

Under the proposed prospective withholding provision, erroneous payments for fiscal year 1990 and following years would be withheld on October 1 of each fiscal year. Adjustments to reflect actual liabilities would be made by increasing or decreasing the grants made to the State in the following year. Liabilities for years prior to 1990 would continue to be withheld retrospectively.

Limitation on AFDC administrative costs.—The 1990 Reagan budget includes a proposal to cap AFDC administrative costs at their current (1989) levels. In subsequent years funding for administrative costs would be increased by the amount of the GNP deflator. All enhanced matching rates (e.g., 90 percent for management information systems and 75 percent for fraud prevention) would be eliminated.

B. WIN/JOBS

Limitation on funding.—Beginning in July 1989, States will be allowed to replace their work incentive (WIN) programs with a new JOBS program, authorized under the Family Support Act of 1988. By October 1990, all States will be required to operate a JOBS program in lieu of WIN. WIN is a discretionary program funded at $91 million in fiscal year 1989. The Family Support Act provides for funding the JOBS program on a capped entitlement basis.

The Reagan budget for 1990 includes language that would reduce the entitlement ceiling established in the Family Support Act for the JOBS program ($800 million in fiscal year 1990) to the level of the Administration's current estimates of States' spending for their JOBS and WIN programs ($350 million). The budget does not include an explanation of how the Administration would propose to allocate funds to the States under this reduced entitlement ceiling.

The budget assumes States will require about $254 million to fund JOBS activities, and includes an additional $96 million for WIN. In addition to funding for WIN and JOBS activities, the budget includes $89 million for child care provided to participants in the JOBS program, as well as $74 million for trnsitional child care for families that lose AFDC benefits because of earnings. (See section on child care.)

No funds are requested to carry out the JOBS research and evaluation activities authorized by the Family Support Act.

C. CHILD SUPPORT ENFORCEMENT

The Reagan budget includes two proposals affecting the child support enforcement program.

CHILD SUPPORT ENFORCEMENT PROPOSALS—SAVINGS

[In millions of dollars]

	Fiscal year—			3-year total
	1990	1991	1992	
Limit incentive payments	47	48	49	144
Services for SSI children	[1]	[1]	[1]	[1]

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[1] The administration has not made an estimate for this proposeal. CBO estimates negligible savings.

Limit State incentive payments.—As an incentive to encourage State and local governments to participate in the child support program and to operate their programs on a cost effective basis, the law provides a schedule of Federal incentive payments. Each State is eligible to receive a basic payment equal to a minimum of 6 percent of collections made on behalf of AFDC families, and 6 percent of collections made on behalf of non-AFDC families. The amount of each State's incentive payment can reach a high of 10 percent of AFDC collections, plus 10 percent of non-AFDC collections, depending on the cost-effectiveness of the State's program. There is a limit on the incentive payments for non-AFDC collections. The incentive payments for these collections as a percent of the incentive payments for AFDC collections may not exceed 110 percent in 1989, and 115 percent in 1990 and years thereafter.

The Reagan budget proposes that AFDC incentive payments be paid only to those States that demonstrate a cost effectiveness ratio of 1.4 or above. Incentives would be eliminated for those States collecting less than $1.40 for every dollar spent for administering their support enforcement programs.

Require child support services for SSI children.—Under present law, all families applying for or receiving AFDC must assign their rights to support to the State welfare agency and must cooperate in establishing paternity and enforcing support.

The Reagan budget proposes to establish a similar system for enforcement of support with respect to families receiving Supplemental Security Income (SSI) benefits. As a condition of eligibility for SSI benefits, families would have to assign their rights to support and cooperate with the State child support agency in establishing paternity and obtaining support. All current support collected on behalf of these families would be paid to the families. However, a portion of any arrearage collected would be retained to offset the cost of SSI payments. (A similar proposal is made with respect to families receiving food stamps. According to CBO, this would increase costs of the child support program by $15 million in 1990.)

D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

CHILD WELFARE, FOSTER CARE, ADOPTION ASSISTANCE—SAVINGS

[In millions of dollars]

	Fiscal year—			3-year total
	1990	1991	1992	
Proposal to combine spending authorities to create one new program	65	140	219	424

Proposal to combine spending authorities to create one new program.—Under present law, States are eligible to receive 50 percent Federal matching for the costs of administering their foster care and adoption assistance programs on an open-ended entitlement basis. They are also eligible to receive 75 percent Federal matching for operating their child welfare programs. The child welfare program is discretionary, subject to annual appropriations.

The Reagan budget proposes to end the open-ended authority for foster care and adoption assistance administration. Instead, funding for these costs would be combined with the authority for child welfare services, creating a new program of grants to the States for services and administration funded as a descretionary annual appropriation. Services for foster care children participating in independent living programs would also be funded by this new program. States would continue to receive Federal matching for foster care and adoption assistance *maintenance payments* on an open-ended entitlement basis.

The 1990 budget includes $739 million for the new program, $35 million less than the 1989 total for the authorities that would be combined (foster care and adoption assistance administration and training costs, child welfare services, and independent living). Increases in future years would be limited to increases in the Consumer Price Index.

The Bush budget includes the child welfare program in the category of discretionary spending programs to which the President's freeze concept applies. The budget states:

> Human resource programs that benefit the disadvantaged, particularly the young, and programs that improve the quality of our environment are high among the President's priorities. Thus, when considering which human resource areas might be in line for funding increases, programs such as WIC, Compensatory Education, and Child Welfare Services are natural examples. ...If funding for these programs were to be raised, other lower priority programs in the freeze category would require funding reductions by an equal amount.

Chart 9.—EARNED INCOME TAX CREDIT

[In millions of dollars]

	Fiscal year—	
	1989	1990
Present law:		
Amount in excess of tax liability	3,850	3,700
Offset against tax liability	1,395	1,815
Total	5,245	5,515

Chart 9

Earned Income Tax Credit

The earned income tax credit (EITC) is currently the only *refundable* tax credit in the Internal Revenue Code. That is, it is the only example of a tax credit that can cause a tax refund to be paid even when an individual tax filer has no income tax liability for the year in question. The EITC is available to low income families that include at least one child who is a dependent of an individual with earned income.

In 1989, the maximum credit equals 14 percent of the first $6,500, with a maximum credit of $910. For each dollar of adjusted gross income above $10,240 the credit is reduced by 10 cents, and is totally phased out at a level of $19,340. The amount of earnings and income used to compute and phase out the credit increases each year under an indexing formula.

The law allows individuals who have no tax liability to claim the credit either as an annual tax refund or to have the credit added to their paychecks throughout the year through reverse withholding. In practice, very few individuals use the reverse withholding procedure.

The significance of the EITC as a source of income for low income workers with children was greatly enhanced by the tax reform legislation in 1986 which provided for increasing the amount of the credit and the level of income at which families remain eligible for all or part of the credit. The 1986 tax legislation also provided for indexing these amounts on an annual basis. The budgetary impact of the EITC was about $2 billion in fiscal 1986. It is estimated to increase from about $3.7 billion in fiscal year 1988 to $5.5 billion in 1990.

The EITC was originally developed by the Committee on Finance as a part of an overall guaranteed employment program which the Committee proposed in 1972 as a replacement for the existing welfare program. It was approved by the Committee as a way of assuring that private employment would be more attractive than the public jobs proposed in the 1972 bill, and as a way of offsetting the impact of payroll taxes for lower income working families. The credit was called a "work bonus" in 1972, because the Committee viewed it as a way of enhancing the value of work, inasmuch as it was payable only to those with earned income, and, at least up to the phase down point, the amount of the credit increased as earnings from work increased. The Committee's 1972 proposals were not enacted, but the Senate passed the EITC as a separate provision on several occasions, and it became law in 1975.

Chart 10.—SOCIAL SERVICES

[In billions of dollars]

	Fiscal year—	
	1989	1990
Present law:		
Title XX block grant	2.7	2.7

Chart 10

Social Services

In addition to cash benefit programs and medical assistance, the Social Security Act includes provisions in title XX which make Federal funding available for social services. In previous years, title XX legislation authorized matching funds for State social services programs on an entitlement basis. The Federal matching rate was generally 75 percent. In the Omnibus Budget Reconciliation Act of 1981, a new social services block grant program was created to replace the prior Federal-State matching program. A number of requirements on the States, including the requirement of a 25 percent non-Federal match, were removed, and funding levels were reduced.

The program is an appropriated entitlement, with each State eligible to receive its share of a ceiling amount specified in the law. The statutory ceilings have been: $2.4 billion in fiscal year 1982; $2.575 billion in fiscal year 1983 (with $225 million of this amount available in either for use in either 1983 or 1984); $2.7 billion in 1984; $2.725 billion in 1985 (with $25 million earmarked for training of child care providers, licensing officials and parents, including training in the prevention of child abuse); $2.584 billion in 1986 (the $2.7 billion ceiling was reduced by $116 million because of sequestration of funds under the Gramm-Rudman-Hollings legislation); $2.7 billion in 1987; $2.750 billion in 1988 ($50 million was never appropriated); and $2.7 billion in 1989 and years thereafter.

Allocations are made on the basis of State population. States may determine how their funds are to be used and who may be served. There are no Federal family income requirements, and no fee requirements. Income standards and fees may be imposed at State discretion.

PROPOSED LEGISLATION

The fiscal year 1990 budget request for the title XX social services block grant program is $2.7 billion, the permanent entitlement level.

Chart 11.—CHILD CARE

[In billions of dollars]

	Fiscal year	
	1989	1990
Present law:		
Title XX [1]	.6	.6
Services for welfare families [2]	.1	.2
Child welfare services	NA	NA
Dependent care tax credit	3.5	3.6
Exclusion for employer-provided dependent care	.2	.2
Total	4.4	4.6

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[1] Because of reporting deficiencies, it is not possible to determine how much of Federal title XX funding is used for child care. These numbers reflect a commonly used estimate (based on data from the late 1970's and early 1980's) that over 20 percent of title XX funds are used for this purpose.

[2] Includes amounts for child care provided to participants in employment and training programs, the AFDC child care disregard, and (for 1990) child care for recipients making the transition from welfare to work.

NA: Not available.

Chart 11

Child Care

Legislation under the jurisdiction of the Committee on Finance is the source of funding for most of the child care paid for by the Federal Government. This includes child care provided under the title XX social services program; several AFDC-related programs; the title IV-B child welfare services program; and two provisions of the Internal Revenue Code: the dependent care credit and the exclusion for employer-provided dependent care. (Other major Federal programs not under the jurisdiction of the Committee are Head Start, funded at $1.2 billion in 1989, and the child care and summer food programs, funded at about $.8 billion in 1989).

Child care under title XX.—The Omnibus Budget Reconciliation Act of 1981 replaced the former Federal-State social services matching program with a new social services block grant program that provides Federal entitlement funds (without a State matching requirement) for a wide range of social services. Although States are not required to provide data showing how their title XX funds are spent, available information indicates that 48 States use part of these funds to provide child care services. Data for 1981, the last year for which detailed reporting is available, indicated that 28 percent of title XX funds was spent for child care. Data collected by the American Public Welfare Association for 1985 showed that a total of $1.1 billion in Federal and State funds was used for this purpose.

States have broad flexibility under the block grant authority to decide who is eligible for services, the amount of any child care subsidy, how the care is to be provided (for example, through vouchers, reimbursement, or direct provision of care), and whether to charge fees for services. (See the section on Social Services for more information on this program.)

Child care for welfare recipients.—There are three ways in which recipients of Aid to Families with Dependent Children may receive assistance with child care needs.

(1) Child care for individuals in education, employment, and training programs: Under the work incentive (WIN) program, State agencies must provide child care necessary to enable AFDC applicants and recipients to accept employment or training to which they are referred. Federal funding for WIN program child care is included in the general WIN appropriation. Matching is at the regular 90 percent WIN rate. Federal funding for child care is also provided under the community work experience, work supplementation, and job search programs on an open-ended entitlement basis, with 50 percent Federal matching available to the States for allowable expenditures.

The Family Support Act of 1988 provides for replacing the existing programs with a new JOBS program, which States must implement by October 1, 1990, and may implement as early as July 1, 1989. Under JOBS, State welfare agencies must guarantee child care to the extent that it is determined by the agency to be necessary for an individual's employment. Agencies must also guarantee child care needed by caretakers engaged in education and training activities (including participation in JOBS) if the agency approves the activity and determines that the individual is satisfactorily participating in the activity.

Federal matching is at the Medicaid rate (50-80 percent on an open-ended entitlement basis). The State may provide care by use of contract, vouchers, direct provision of care, or any other arrangement of its choosing. Reimbursement for the cost of care with respect to a family is the lesser of (a) the actual cost of care; and (b) the dollar amount of the child care disregard for which the family is otherwise eligible, or (if higher) an amount established by the State. In no case may reimbursement exceed applicable local market rates. Child care must meet applicable standards of State and local law. The Reagan budget includes $89 million for child care for JOBS participants in 1990.

(2) Transitional child care services.—Under the Family Support Act of 1988, beginning April 1, 1990, the State welfare agency must guarantee child care to the extent the care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive assistance as a result of increased hours of, or increased income from employment, or as a result of the loss of earnings disregards. Federal matching rates, dollar limitations, standards and methods of providing care are the same for transitional assistance as under the JOBS program. Care is limited to 12 months after the last month for which the family received assistance. The family must contribute to the cost of care in accordance with a sliding scale formula based on ability to pay, established by the State. The Reagan budget includes $74 million for transitional child care services in 1990.

(3) Child care disregard.—At the present time, in determining eligibility for and amount of AFDC benefits, a State must disregard actual expenses up to $160 a month per child for day care. The Family Support Act of 1988 provides for an increase in the amount of the child care disregard to $175 a month ($200 in the case of a child under age 2), and also provides that the child care disregard must be calculated after other disregard provisions have been applied. These changes become effective October 1, 1989. (Estimated expenditures under the child care disregard provisions are about $50 million a year.)

Child welfare services.—States may use child welfare services funds to provide child care services. Funds may also be used to pay for activities relating to the establishment and monitoring of child care standards. (Estimates for expenditures for child care under this program are not available.)

Dependent care credit and exclusion for employer-provided care.—A nonrefundable income tax credit is allowed for up to 30 percent of a limited dollar amount of employment-related child or dependent care expenses (Internal Revenue Code sec. 21). Eligible employment expenses are limited to $2,400 in the case of one qualifying individual ($4,800 in the case of two or more qualifying individuals). The 30 percent credit rate is reduced by one percentage point for each $2,000 (or fraction thereof) of the taxpayer's adjusted gross income (AGI) between $10,000 and $28,000. The credit rate is 20 percent for taxpayers with AGI in excess of $28,000.

The term "qualifying individual" means (1) a dependent of the taxpayer who is under age 13 and with respect to whom the taxpayer is entitled to claim a dependent exemption, (2) a dependent of the taxpayer who is physically or mentally incapable of caring for himself, or (3) a spouse of the taxpayer if the spouse is physically or mentally incapable of caring for himself.

Section 129 of the code also provides a dependent care exclusion which is intended to provide an incentive for employers to provide dependent care benefits to their employees. Amounts paid or incurred by an employer for dependent care assistance provided to an employee generally are excluded from the employee's gross income if the assistance is furnished under a program meeting certain requirements. These include requirements that the program is in writing and satisfies certain nondiscrimination rules, and that reasonable notification of the program is provided to eligible employees. With respect to any taxpayer (including a married couple filing a joint return), the dependent care exclusion is limited to $5,000 a year ($2,500 in the case of a separate return by a married individual).

The Family Support Act of 1988 includes an amendment providing that the dollar amount of expenses eligible for the dependent care credit of any taxpayer will be reduced, dollar for dollar, by the amount of expenses excludable from that taxpayer's income under the dependent care exclusion.

For example, assume that a taxpayer with one child incurs $6,000 of child care expenses during a taxable year, $3,000 of which is excluded from the taxpayer's income because the expenses are reimbursed under an employer-provided dependent care assistance program. Under the law as amended in 1988, the amount of expenses otherwise eligible for the dependent care credit ($2,400 in the case of one qualifying individual) is reduced, dollar for dollar, by the amount excluded under the dependent care assistance program. Because the amount excluded under the dependent care assistance program ($3,000) exceeds the expenses eligible for the dependent care credit ($2,400), no dependent care credit could be claimed for the taxable year. On the other hand, if the amount of excludable dependent care reimbursed by the employer was $1,000, then $1,400 of expenses ($2,400 minus $1,000) would be eligible for the dependent care credit. This provision is effective for taxable years beginning after December 31, 1988.

PROPOSED LEGISLATION

The Bush budget includes a proposal for a new tax credit of up to $1,000 for each child under age 4 in low income working families. This credit would be available to families in which at least one parent works regardless of whether the family incurs any costs for child care services. For each child under the age of four, families could receive a credit equal to 14 percent of wages, with a maximum credit equal to $1,000 per child. In 1990, the credit would be phased out between $8,000 and $13,000 in income. This phaseout range would increase to between $15,000 and $20,000 by 1994. The credit would be refundable. Families would have the option of receiving the refund in advance through a payment added to their paycheck.

The existing dependent care credit would also be made refundable. Families that meet eligibility criteria for both the dependent care credit and the new child credit could claim whichever credit best suits their needs and circumstances for each child.

Administration estimates for the cost of the proposals are as follows:

CHILD CARE CREDIT PROPOSALS

[In millions of dollars]

	Fiscal year—			3-year total
	1990	1991	1992	
Offset against tax liability	5	46	48	99
Amount in excess of tax liability	182	1,847	2,163	4,192

The Family Support Act authorized $13 million for each of fiscal years 1990 and 1991 for grants to States to improve their child care licensing and registration requirements and procedures, and to monitor child care provided to AFDC children. The Reagan budget includes no funds for these purposes.

Chart 12.—SUPPLEMENTAL SECURITY INCOME

[In billions of dollars]

	Fiscal year—	
	1989	1990
Present law:		
Total SSI outlays	12.5	[1] 12.1

[1] Includes 11 monthly payments, compared to 12 monthly payments in 1989. October 1, 1989 falls on a Sunday; the payment therefore will be made on September 29 and counted against fiscal year 1989.

Chart 12

Supplemental Security Income

Since January 1974, the Social Security Administration has been responsible for administering a basic income support program for needy aged, blind, and disabled persons called Supplemental Security Income (SSI). This program is funded entirely from general revenues. The law establishing the SSI program permits the temporary use of the social security trust funds to meet the administrative costs of the program, but provides specific safeguards to assure that those costs are promptly reimbursed to the trust funds by an appropriation from general revenues.

Under present law, the average number of recipients receiving federally-administered SSI payments is estimated by the Administration to be as follows:

[In thousands]

	Fiscal year—		
	1988	1989 est.	1990 est.
Aged	1,257	1,232	1,207
Blind and disabled	2,776	2,876	2,970
Total Federal	4,033	4,108	4,177
State supplementation only	367	371	376
Total SSI recipients	4,400	4,479	4,553

The maximum Federal monthly payment in calendar year 1989 is $368 for an individual, and $553 for a couple. Annual adjustments are made in January to reflect increases in the cost of living. The Administration estimates a January 1990 COLA of 3.6 percent.

The Administration estimates Federal program outlays as follows:

[In millions of dollars]

	Fiscal year—		
	1988	1989 est.	1990 est.
Federal benefits	11,368	11,341	11,021
Beneficiary services	13	14	14

[In millions of dollars]—Continued

	Fiscal year—		
	1988	1989 est.	1990 est.
Federal fiscal liability	-11	33	
Administration	975	1,087	1,111
Research and Demonstration		2	2
Total	12,345	12,477	12,148

Proposed Legislation

The Administration's fiscal year 1990 budget includes no legislative changes in the SSI program.

Chart 13.—HEALTH PROGRAMS

[Congressional Budget Office estimates in billions of dollars]

	Fiscal year—				3-year total (90-92)
	1989	1990	1991	1992	
Medicare outlays:					
Part A	58.8	66.3	73.3	80.7	220.3
Part B	39.8	47.7	56.0	64.5	168.2
Catastrophic drug insurance	0	0.04	0.8	1.6	2.4
Total	98.6	114.0	130.1	146.8	390.9
Medicaid:					
Federal expenditures	34.2	38.2	42.5	47.0	127.7
State costs	28.0	31.3	34.8	38.5	104.6
Total	62.2	69.5	77.3	85.5	232.3
Maternal and child health block grant:					
Federal expenditures [1]	0.55	0.56	0.56	0.56	1.68

[1] FY 1990–92 figures reflect authorization level.

Chart 13

Health Programs

MEDICARE

Medicare is a nationwide health insurance program for 32 million aged and disabled individuals. It is authorized by Title XVIII of the Social Security Act and consists of two parts: part A, the Hospital Insurance program, provides protection against the costs of inpatient hospital services, skilled nursing facility services, home health care and hospice care; part B, the Supplementary Medical Insurance program, is a voluntary program which provides protection against the costs of physicians' services and other medical services. The Medicare Catastrophic Coverage Act of 1988 (Public Law 100-360) expanded benefits under parts A and B and created a Federal Catastrophic Drug Insurance Trust Fund, under which protection against the costs of covered prescription drugs will generally begin in January, 1991.

The Congressional Budget Office (CBO) estimates that under current law, spending for the Medicare program in FY1990 will be $114 billion, of which $66.3 billion is for part A benefits and $47.7 billion is for part B benefits. The CBO estimates that basic premiums collected from Medicare participants in FY1990 will total $13.2 billion.

MEDICAID

Medicaid is a Federally-aided, State-designed and administered program, authorized by Title XIX of the Social Security Act, which provides medical assistance for certain categories of low income persons who are aged, blind, disabled, or members of families with dependent children. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided. The Federal Government's share of Medicaid expenditures is tied to a formula inversely related to the per capita income of the State. Federal matching for services varies from 50 percent to 78 percent. Administrative costs are generally matched at 50 percent except for certain items (including fraud control, mechanized claims processing, family planning, and training of medical personnel) which are subject to higher matching rates. Effective July 1, 1990, States will be required to provide Medicaid coverage to pregnant women, and infants under 1 year of age, whose incomes are at or below the Federal poverty level (currently $11,650 for a family of four).

The Congressional Budget Office (CBO) estimates total Federal-State Medicaid costs for fiscal year 1990 under current law to be $69.5 billion, of which $38.2 billion is the Federal share and $31.3 billion is the State share.

The Administration budget proposes to reduce Federal spending for FY 1990 under the Medicaid program by $374 million, as estimated by CBO. This estimate assumes the elimination of enhanced matching for administrative expenses without a phase-out.

MATERNAL AND CHILD HEALTH BLOCK GRANT

Title V of the Social Security Act authorizes the Maternal and Child Health Services Block Grant, which provides funding for the following programs: maternal and child health and services for children with special health care needs, rehabilitation for disabled children receiving supplemental security income, lead-based paint poisoning prevention programs, genetic disease programs, sudden infant death syndrome programs, hemophilia treatment centers, and adolescent pregnancy grants. Under the Title V block grant, States determine the level of services. Typically States have supported health services such as well-child checkups and services in maternity clinics. Public Law 97-35 created the block grant by adding to maternal and child health and crippled children services those functions described above. The Federal/State matching requirements were also changed and now require the States to spend 75 cents to receive a dollar. The Secretary of HHS is authorized to set aside between 10 and 15 percent of the amount appropriated to be used for special projects of regional and national significance.

The Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509) increased the authorization for the block grant from $478 million to $553 million for FY 1987, $557 for FY 1988, and $561 for FY 1989 and thereafter. The additional $75 million for FY 1987 was not appropriated. The Act also required that a certain percentage of the newly authorized amount, if it was appropriated, was to be set aside for projects for screening of newborns for sickle cell anemia and other genetic disorders (7 percent in FY 1987; 8 percent in FY 1988; and 9 percent in FY 1989). Of remaining new amounts, one-third must be used for primary and special needs health care services and projects for children.

The amount appropriated for FY 1988 was $527 million, and for FY 1989 was $554 million. The Administration budget proposes to fund the block grant at $554 million for FY 1990, the same amount as the FY 1989 appropriation.

Chart 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS

[In millions of dollars]

[Estimates prepared by the Congressional Budget Office]

	Fiscal year—			Total
	1990	1991	1992	
MEDICARE PART A Legislative Proposals—Outlays				
Reduce indirect medical education	−1,010	−1,270	−1,400	−3,680
Reduce hospital capital	−1,150	−1,450	−1,610	−4,210
PPS update factor	−590	−740	−820	−2,150
Reduce direct medical education	−130	−160	−165	−455
Effects of other proposals	−15	−18	−17	−50
Subtotal, Legislation affecting Part A	−2,895	−3,638	−4,012	−10,545
Regulatory Proposals—Outlays				
Medicare secondary payer	−5	−5	−5	−15
Reduce direct medical education	0	0	0	0
Subtotal, Part A Savings	−2,900	−3,643	−4,017	−10,560

MEDICARE PART B

Legislative Proposals—Outlays

Freeze MEI	–585	–1,021	–1,607	–3,213
Overpriced procedures	–365	–317	–402	–1,084
Reduce radiology, anesthesiology and surgery	–472	–462	–521	–1,455
New physicians	–37	–150	–247	–434
Concurrent anesthesia	–15	–20	–25	–60
Designated specialties	–32	–32	–32	–96
Direct medical education	–35	–40	–40	–115
Reduce hospital outpatient	0	–285	–537	–822
Rental of DME	–112	–166	–188	–466
Reduce oxygen payment	–37	–54	–69	–160
Reduce enteral nutrients	–16	–26	–29	–71
Clinical labs	0	0	0	0
Effects of other proposals	0	0	2	2
Subtotal, Part B outlays	–1,706	–2,573	–3,695	–7,974

Legislation–Premiums

Maintain 25% premium	–585	–1,330	–2,177	–4,092
Impact of other proposals	396	677	946	2,019

Chart 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS—Continued

[In millions of dollars]

[Estimates prepared by the Congressional Budget Office]

	Fiscal year—			Total
	1990	1991	1992	
Legislation–Premiums				
Subtotal, Part B premiums	–189	–653	–1,231	–2,073
Subtotal, legislation affecting Part B	–1,895	–3,226	–4,926	–10,047
Regulatory Proposals–Outlays				
Medicare Secondary Payer	–2	–2	–2	–6
Ambulatory Surgery Center Rates	–38	–38	–38	–114
Eliminate duplicate surgery payment	0	0	0	0
Cap Method II ESRD payments	–59	–80	–100	–239
Reduce ESRD facility payments	–69	–77	–83	–229
Subtotal, Part B Regulations	–168	–197	–223	–588
Subtotal, Part B Savings	–2,063	–3,423	–5,149	–10,635
Total, Medicare	–4,963	–7,066	–9,166	–21,195

MEDICAID

Legislative Proposals				
Pregnant women and infants	55	135	170	360
Immunizations	2	*	*	2
Infant mortality grants	20	20	0	40
Child Support Enforcement	–5	–5	–10	–20
Eliminate enhanced match	–310	–325	–340	–975
Effect of Medicare Part B proposals	29	94	196	319
Subtotal, Medicaid legislation	–209	–81	16	–274
Regulatory Proposals				
Medically Needy Income	–45	–50	–55	–150
Limit voluntary contributions	–65	–70	–80	–215
MMIS funding restrictions	–20	–20	–20	–60
Ambulatory surgery	–30	–50	–55	–135
ICF/MR medical services	0	0	0	0
Child support enforcement	–5	–10	–15	–30
Subtotal, Medicaid regulations	–165	–200	–225	–590
Total, Medicaid	–374	–281	–209	–864

Chart 14

Health Programs: Administration Proposals

MEDICARE

The Administration budget proposes to reduce outlays and increase premiums for fiscal year 1990 under the Medicare program by $4.963 billion. This amount includes $4.601 billion in proposed spending reductions which require legislation, $173 million in proposed spending reductions which can be implemented by regulation, and $189 million in proposed premium increases when other legislative initiatives are taken into account. This amount does not include increased revenues from proposals to include State and local government workers under Medicare (see section on revenues). These estimates, and all other estimates in this chart, have been prepared by the Congressional Budget Office.

Of $4.774 billion in reduced spending proposed by the Administration, approximately 62 percent would be achieved by reducing payments to hospitals, an estimated 32 percent by reducing payments to physicians, and about 7 percent by reducing payments to other providers of health care services. Medicare beneficiaries would be affected primarily by the proposal to increase premiums.

The descriptions that follow reflect budget proposals made in the outgoing Reagan administration's budget, which was submitted to Congress on January 9, 1989. At the time this Committee document was printed, detailed descriptions of revisions proposed by President Bush were unavailable. Since President Bush's proposed budget appears to have made no substantial change in the overall level of Medicare savings, the programmatic proposals advanced by the Reagan administration are described in more detail below.

MEDICARE PART A

The Administration budget proposes to reduce outlays under part A of the Medicare program by $2.9 billion for FY1990. Legislative proposals would reduce outlays by $2.895 billion and regulatory proposals would reduce outlays by $5 million.

Part A Legislative Proposals

1. Reduce payments for indirect medical education expenses.— Medicare pays teaching hospitals an additional amount for each discharge to reflect the indirect costs of medical education. The Administration budget proposes to reduce Medicare payments to teaching hospitals by reducing the average add-on percentage paid for each discharge from the current level of 7.65 percent to 4.05 percent.

Medicare first recognized the indirect costs of medical education in 1980, when limits on hospital payment per day were adjusted upward by 4.7 percent for teaching hospitals. In 1982, limits on payment per case were adjusted to 6.06 percent for teaching hospitals. When the prospective payment system was created in 1983, to account for variation in severity of illness, the add-on was increased to 11.59 percent. The add-on was reduced to 8.1 percent by the Consolidated Omnibus Budget Reconciliation Act of 1985 and to 7.65 percent by the Omnibus Budget Reconciliation Act of 1987.

Reductions in the indirect medical education add-on have been recommended by the General Accounting Office (GAO) and the Prospective Payment Assessment Commission (PROPAC). GAO estimated that an adjustment factor of between 3.73 percent and 6.26 percent would be justified, depending on which factors affecting Medicare costs are taken into account. PROPAC will be recommending an adjustment of 6.6 percent, but will also recommend that savings achieved from this reduction be redirected into increasing Medicare hospital payment rates.

(-$1.01 billion in FY 1990)

2. Reduce payments for hospital capital costs.—The Administration budget proposes to reduce Medicare payment for hospital capital by 25 percent, thus reimbursing hospitals for 75 percent of their reasonable costs. Under the Omnibus Budget Reconciliation Act of 1987, Medicare payments for hospital capital were reduced by 12 percent during the last three quarters of fiscal year 1988 and 15 percent during fiscal year 1989. Also under OBRA, the Secretary of HHS is prohibited from implementing a prospective payment system for hospital capital until October 1, 1991, and is required to do so after that date. Over the three-year period fiscal years 1990-92, the Administration estimates that the proposal to reduce capital payments by 25 percent will save $5.7 billion, compared to a CBO estimate of $4.2 billion. This difference is due to different assumptions about the growth of hospital expenditures for capital.

(-$1.15 billion in FY1990)

3. Prospective payment system (PPS) update factor.—The Administration budget proposes an increase in payments to all hospitals under PPS (as well as hospitals exempt from PPS) of 1.5 percent below the percentage increase in the market basket. The Administration's current estimate of the market basket is 4.7 percent, yielding a payment increase of 3.2 percent. Under the Administration's proposal, hospital payment rates would increase with the percentage increase in the market basket after FY1990.

(-$590 million in FY 1990)

4. Reduce payments for direct medical education expenses.—The Administration budget proposes to eliminate Medicare payment for overhead costs (classroom and supervision) incurred by hospitals in the training of resident physicians. Medicare would continue to pay the reasonable costs, including overhead, of educating nurses and allied health professionals, and would also continue to recognize the salaries and fringe benefits of resident physicians.

(-$130 million in FY 1990)

Part A Regulatory Proposals

1. Reduce direct medical education payments.—The Administration proposes to issue final regulations implementing provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, which imposed per-resident limits on the amounts Medicare pays hospitals for the direct costs of medical education. Draft regulations implementing these provisions were published in September, 1988. The Administration budget reflects savings of $400 million in fiscal year 1990 and $1.33 billion in fiscal years 1990–92 from these regulations. Because the 1985 provisions were effective in July, 1985, savings attributable to the limits are already reflected in CBO's baseline, and CBO does not estimate any additional savings from including this proposal in the Administration's budget.

2. Medicare secondary payer to no-fault insurance.—The Administration proposes to extend Medicare secondary payor provisions to all types of no-fault insurance, not just automobile insurance. Medicare payment would be made secondary to any payment available under no-fault insurance.

(-$5 million in FY 1990)

MEDICARE PART B

The Administration budget proposes to reduce outlays under part B of the Medicare program by $2.063 billion for FY 1990. Legislative proposals would reduce outlays by $1.076 billion, and a legislative proposal would increase net premium payments $189 million. Regulatory proposals would reduce outlays by an additional $168 million.

Part B Legislative Proposals—Outlays

1. Freeze MEI for non-primary services.—Medicare payment for physician services is based on the lower of actual charge, customary charge, or the prevailing charge in the area. The annual increase in the prevailing charge level is limited to the increase in the Medicare economic index (MEI). The MEI for 1990 is projected to be 5.3 percent. The Administration budget proposes to allow the MEI increase only for primary services (home, office, nursing home, and emergency room visits), and give no MEI update for other services in 1990. In 1991 and 1992 the proposal would limit the update for non- primary services to 1 percent.

(-$585 million in FY 1990)

2. Payment reductions for overpriced procedures. —The Administration budget proposes to reduce the prevailing charge levels for a group of overpriced procedures by up to 12 percent, with a floor at 80 percent of the national average. The procedures are the same group for which payments were reduced by OBRA 87, plus additional procedures identified by the Secretary as being overpriced. No physician's actual charge on an unassigned claim could exceed 125 percent of the reduced prevailing charge level.

(-$365 million in FY 1990)

3. Payment reductions for radiology, anesthesiology, and surgery.—The Administration budget proposes to reduce the prevailing charge levels by 8 percent for all radiology, anesthesiology, and surgery services (other than procedures already reduced under item 2), with a floor at 75 percent of the national average. No physician's actual charge on an unassigned claim could exceed 125 percent of the reduced prevailing charge level.

(-$472 million in FY 1990)

4. Customary charge for new physicians.—Under a provision enacted in OBRA 87, the customary charge for a new physician in the first year of practice could not exceed 80 percent of the area prevailing charge. The Administration budget proposes to extend this limitation to 85 percent of prevailing in the second year of practice, 90 percent in the third year, and 95 percent in the fourth year.

(-$37 million in FY 1990)

5. Concurrent anesthesia supervision payments.—Under a provision enacted in OBRA 87, base unit payments to anesthesiologists for concurrent supervision of more than one nurse anesthetist were reduced by 10 percent for supervision of 2 nurses, 25 percent for supervision of 3 nurses, and 40 percent for supervision of 4 nurses. The provision sunsets after 1990. The Administration budget proposes to extend the reductions to time units as well as base units; to increase the percentage reductions to 30 percent for supervision of 2 nurses, 40 percent for 3 nurses, and 50 percent for 4 nurses; and to remove the sunset.

(-$15 million in FY 1990)

6. Payment ceilings for designated specialty services.—The Administration budget proposes to establish a ceiling on prevailing charge levels for certain specialty services. The ceiling would be set at the prevailing charge level for the service when performed by the specialty that most often performs the service or the specialty that is the recognized expert for that service.

(-$32 million in FY 1990)

7. Reduction in direct medical education payments.—The Administration budget proposes to eliminate payment for overhead costs incurred by hospitals in training residents. (See item 4 under Medicare part A legislative proposals.) Because part B covers outpatient hospital services, this proposal would also reduce part B outlays.

(-$35 million in FY 1990)

8. Reduce payments for hospital outpatient services.—The Administration's budget proposes a reduction of 5 percent in spending for hospital outpatient services, other than clinical laboratory services and services related to end-stage renal disease (ESRD). This reduction would begin in fiscal year 1991. No specific details about the manner in which this reduction would be achieved are available.

($0 in FY 1990)

9. Payment for rented durable medical equipment.—OBRA 87 required that fee schedules be established for durable medical equipment (DME). The fee schedules are established for 6 categories of DME, and all but one were based on average reasonable charges. The fee schedule for rental equipment was based on average submitted charges. The Administration budget proposes to modify the fee schedule for rental DME based on average reasonable charges. The proposal would also allow lease/purchase arrangements in addition to rental.

(-$112 million in FY 1990)

10. Payment for oxygen.—The Administration budget proposes to reduce the fee schedule amounts for oxygen and related supplies by 5 percent.

(-$37 million in FY 1990)

11. Payment for enteral products.—The Administration budget proposes to establish a fee schedule based on market prices for enteral nutrient products and related supplies.

(-$16 million in FY 1990)

12. Fee schedule for clinical lab services.—Payment for clinical laboratory services is based on regional fee schedules. Under current law, on January 1, 1990, a nationwide fee schedule is to be implemented. The Administration budget proposes to retain the regional fee schedules on the grounds that the nationwide fee schedule would require higher average payment amounts and increase outlays in FY 1990 by $190 million. The CBO estimate scores no savings for the proposal on the grounds that a nationwide fee schedule could be established in a budget neutral manner.

($0 in FY 1990)

Part B Premium—Legislative Proposals

1. Maintain part B premium level to cover 25 percent of program costs.—The part B premium was originally established at a level to cover 50 percent of the program costs, but the annual percentage increase in the premium was limited to the annual percentage increase in social security cash benefits. In 1982 the premium covered 25 percent of program costs, and legislation was enacted to hold the premium at 25 percent of program costs through 1986. This provision has been extended in 1984 and 1987, and will expire January 1, 1990. The Administration budget proposes to permanently set the premium at 25 percent of program costs.

(-$585 million in FY 1990)

2. Impact of other proposals on premium.—If all the proposals in the Administration budget were enacted, the savings that result to part B would also reduce the premium, because the premium is set to cover 25 percent of program costs. This offset is shown separately by CBO, rather than factored into each of the part B provision estimates.

($396 million in FY 1990)

Part B Regulatory Proposals

1. Secondary payer expansion.—Under current law, Medicare is secondary payer in cases of no fault insurance claims. The Administration budget proposes to expand this provision to all no fault insurance, rather than limiting the provision to automobile insurance as is current practice. As described above, this proposal also affects spending under Part A.

(-$2 million in FY 1990)

2. Payment to ambulatory surgery centers.—The Administration budget proposes to update ambulatory surgery center rates by 5.7 percent. This is less than the rate of increase assumed in the CBO baseline.

(-$38 million in FY 1990)

3. Payment for surgeons supervising nurse anesthetists.—The Administration budget proposes to eliminate all payments to surgeons for supervising a nurse anesthetist during surgery. The Administration estimated $10 million savings in FY 1990, but CBO estimates no savings.

($0 in FY 1990)

4. Payments for ESRD method II.—Payments for dialysis services provided to patients with end stage renal disease (ESRD) are currently made in two ways. Method I pays a prospective composite rate per treatment; method II allows payment for home dialysis on the same basis as for durable medical equipment, based on a fee schedule for each item provided. The Administration budget proposes to limit the aggregate amount paid per patient under method II to no more than would be paid under the method I composite rate.

(-$59 million in FY 1990)

5. Payments for ESRD facilities.—The Administration budget proposes to reduce the composite rate for dialysis services by $5 per treatment for free-standing dialysis facilities, and by $3 per treatment for hospital-based facilities.

(-$69 million in FY 1990)

MEDICAID

The Administration budget proposes to reduce outlays for fiscal year 1990 under the Medicaid program by $374 million. Legislative proposals include $106 million of outlay increases and $315 in outlay reductions, for a net reduction of $204 million. Regulatory proposals include an additional reduction in outlays of $165 million.

Legislative Proposals

1. Expanded eligibility for pregnant women and infants.—Current law requires all States to cover pregnant women, and infants up to their first birthday, whose incomes are at or below the Federal poverty level ($11,650 for a family of four). This requirement was part of the Medicare Catastrophic Coverage Act of 1988, and will phase in at 75% of the poverty level on July 1, 1989, and 100% of the poverty level on July 1, 1990. The Administration proposal would mandate coverage to 130% of the poverty level, effective April 1, 1990. This is the same income eligibility level as for the food stamp program.

($55 million in FY 1990 (half year only))

2. Coverage of immunizations.—The Administration budget proposes to provide coverage under the Medicaid program for immunizations furnished to children age 0-5 who are eligible for the food stamp program.

($2 million in FY 1990)

3. Infant mortality grants.—The Administration budget proposes to provide grants to States for demonstration projects aimed at reducing the infant mortality rate in areas of high infant mortality. The demonstrations would be conducted under the Medicaid program, but would require coordination among the Medicaid, Maternal and Child Health (MCH), and Women, Infants, and Children (WIC) programs. Grant amounts would be $20 million for each of the fiscal years 1990 and 1991.

($20 million in FY 1990)

4. Elimination of special administrative matching rates.—The Administration budget proposes to eliminate special matching rates for administrative costs. Current law provides that State administrative costs are generally matched by the Federal Government at 50 percent. However, there are higher matching rates for some particular costs: mechanized claims processing (90 percent for development, 75 percent for operation); compensation and training of medical personnel (75 percent); family planning services (90 percent); and fraud control units (90 percent for first 3 years, 75 percent thereafter, but subject to a limit per year). The Administration budget proposes to match all these costs at 50 percent. The Budget revisions proposed by President Bush would phase out the enhanced matching, but no specific phase out was offered. The CBO estimate of this proposal does not include a phase out.

(-$310 million in FY 1990)

5. Effect of Medicare part B proposals.—The Administration proposes to retain the requirement that premiums cover 25 percent of Medicare part B outlays. Because States pay the part B premiums for low income Medicare beneficiaries under their Medicaid programs, the premium proposal will increase State and Federal Medicaid costs.

($29 million in FY 1990)

6. Child support enforcement.—The Administration budget proposes to require open enrollment in health insurance plans when child support is ordered, to allow States to enroll children in health insurance plans when the absent parent refuses, and to require orders for medical support in all mandatory child support enforcement cases.

(-$5 million in FY 1990)

Regulatory Proposals

1. Medically needy income level.—The Administration budget proposes to clarify the calculation of the income eligibility levels for a medically needy single person. Under current law, medically needy income levels cannot exceed 133 percent of the AFDC income eligibility level, but some States have based their medically needy level for a single person on the AFDC level for a family of two. The proposal would require those States to use the AFDC level for a single individual.

(-$45 million in FY 1990)

2. Limits on State use of voluntary contributions and provider taxes.—The Administration budget proposes to limit the use of donations and provider-specific taxes as the State share of Medicaid. However, no specifics of the proposal have been offered.

(-$65 million in FY 1990)

3. MMIS enhanced matching.—The Administration budget proposes to provide enhanced matching only for those subsystems of the Medicaid Management Information System that are required and approved by the Secretary. State initiated system changes would be matched at the regular 50 percent rate, rather than the 75 percent enhanced rate. This regulatory proposal will have no budget effect if the legislative proposal to eliminate all enhanced matching is enacted.

(-$20 million in FY 1990)

4. Ambulatory surgery, preadmission testing, and same day surgery.—The Administration budget proposes to require States to implement programs to promote ambulatory surgery, preadmission testing, and same day surgery.

(-$30 million in FY 1990)

5. Medical services provided in ICF/MR.—The Administration budget proposes to narrow the definition of medical services that will be covered by Medicaid when provided to residents of an intermediate care facility for the mentally retarded. Medicaid would cover only services that are otherwise covered as medical assistance, and not services of an educational or vocational nature.

(CBO estimates no savings, but HHS estimates -$5 million in FY 1990)

6. Child support enforcement.—The Administration budget proposes to encourage States to start collecting information on employment-based medical coverage in order to increase collections under third party liability rules.

(-$5 million in FY 1990)

MATERNAL AND CHILD HEALTH BLOCK GRANT

The Administration proposes to fund the Maternal and Child Health Block Grant at $554 million, the same level as was appropriated for fiscal year 1989 and $7 million below the authorized level of $561 million.

Chart 15.—INTEREST

[In billions]

	Fiscal year—		
	1990	1991	1992
A. Administration Budget:			
Gross interest:			
Interest on the public debt	248	252	247
Interest on tax refunds	2	2	2
Offsets:			
Interest paid to trust funds	–59	–69	–77
Interest on Federal Financing Bank loans	–13	–13	–13
Other offsetting interest	–7	–6	–5
Net interest	170	166	155
Federal Reserve deposits	–19	–19	–18
Budgetary impact of interest	151	147	136
B. CBO Baseline:			
Interest on the public debt	264	284	299
Net interest	182	193	199

Chart 15

Interest

One of the budget accounts assigned to Finance Committee jurisdiction is the account entitled Interest on the Public Debt. This account reflects the total interest payments made on governmental securities. The major determinants of the amount of outlays for this account are the accumulated debt from prior years and the interest rate. To a lesser extent, the level of deficit for the current year also affects interest outlays. At current debt levels, a one percent change in interest rates would affect FY 1990 outlays in this category by about $11 billion.

The overall impact of interest on the budget deficit is offset by several factors shown on this chart. The largest offset is interest paid to trust funds. Since the income of trust funds is counted towards determining the "Gramm-Rudman- Hollings" deficit targets, the outlay effect of interest paid to trust funds is offset by the income effect of that same interest received by trust funds.[1] Other interest receipts and particularly interest on Federal Financing Bank loans also offset a portion of interest on the public debt. In addition, the budgetary impact of interest is further reduced by the fact that a portion of outstanding Federal securities are held by Federal Reserve Banks. The bulk of the interest earned on those securities is deposited back to the Treasury by the Federal Reserve.

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[1] Although trust fund interest earnings are used to partially offset the outlays for interest on the public debt from a short-term budgetary perspective, those interest payments do represent a long-term commitment of the Federal Government to the trust fund program which ultimately will have to be redeemed to meet the needs of the program.

Chart 16.—TRADE ADJUSTMENT; CUSTOMS USER FEES: ADMINISTRATION PROPOSALS

[in millions]

	Fiscal year			Total
	1990	1991	1992	
End trade adjustment benefits...	–196	–259	–262	–717
Lower customs user fees...........	–197	*	*	*

* Not available.

Chart 16

Trade Adjustment; Customs User Fees: Administration Proposals

TRADE ADJUSTMENT ASSISTANCE

The Trade Adjustment Assistance (TAA) program provides benefits to workers laid off and firms injured on account of import competition. Under the program for workers, administered by the Labor Department, certified workers are entitled to cash payments essentially equivalent to extended unemployment insurance benefits. They may also receive job-search, relocation, and retraining assistance. The program for firms, administered by the Commerce Department, makes available to approved firms technical assistance.

The Omnibus Trade and Competitiveness Act of 1988 made substantial changes to the TAA program. With its enactment, workers are required to enter approved training programs in order to receive TAA cash payments, unless training is not feasible or appropriate. Workers are also entitled to payment for the costs of their training programs, up to a total limit of $80 million annually.

Originally established under the Trade Expansion Act of 1962, the TAA program was authorized until September 30, 1985. Thereafter, it was temporarily extended several times. Authority for the program lapsed temporarily on December 19, 1985, but was restored in April 1986 both retroactively to December 19, 1985 and prospectively for six years to September 30, 1991 with enactment of the Consolidated Budget Reconciliation Act of 1985. Authority for the program was extended until September 30, 1993 with enactment of the Omnibus Trade and Competitiveness Act of 1988.

In its 1990 budget request, the Administration proposes that the entire TAA program be repealed, effective October 1, 1989. The Administration proposes to assist workers adversely affected by imports through the Economic Dislocation and Worker Adjustment Assistance program.

TRADE ADJUSTMENT

[Outlays in millions of dollars]

	Fiscal Year—				
	1986	1987	1988	1989	1990
Allowances	126.2	208.5	183.8	204.0	210.0
Training	23.5	31.5	35.1	80.0	71.3
Subtotal	149.7	240.0	218.9	284.0	281.3
Firms	16.5	15.8	13.2	5.8	0.0

TRADE ADJUSTMENT—Continued

[Outlays in millions of dollars]

	Fiscal Year—				
	1986	1987	1988	1989	1990
Total	166.2	255.8	232.1	289.8	281.3

Customs User Fees

The 1986 Budget Reconciliation Act established a customs merchandise user fee, which went into effect on December 1, 1986, as a charge of 0.22 percent ad valorem in fiscal year 1987 and 0.17 percent ad valorem in fiscal years 1988 and 1989 on entries of imported merchandise. There is a separate schedule of customs user fees to cover Customs' costs of processing the arrival of vessels, trucks, trains, private boats and planes, and passengers. The law requires the fees to be deposited into a dedicated account and to be available, subject to authorization and appropriation, to offset the cost of salaries and expenses of the Customs Service for commercial operations.

The Omnibus Budget Reconciliation Act of 1987, among other things, extended the expiration date for the merchandise user fee for one additional year, until September 30, 1990 (at the 0.17 percent ad valorem rate), and modified the exemption for articles entering under former schedule 8 of the Tariff Schedules (now covered by of the Harmonized Tariff Schedule).

The President's budget projects increased receipts from the merchandise user fee in fiscal year 1990 with the current 0.17 percent ad valorem fee. However, the Administration will propose legislation in 1989 to make the merchandise user fee consistent with the General Agreement on Tariffs and Trade. The budget projects that, as a result of this legislative change, if adopted, $197 million less will be collected. The fee assessed on passengers and conveyances would be unaffected by the proposed legislation.

Chart 17.—TAX REVENUES UNDER PRESENT LAW

[In billions of dollars]

	Current Services		CBO Baseline	
	1990	1991	1990	1991
Individual Income	467	509	481	520
Corporate Income	119	130	112	120
Social Insurance	390	417	391	417
Excise Taxes	34	32	34	32
Other [1]	48	49	50	52
Total	1,058	1,137	1,069	1,140

[1] Includes estate and gift taxes, customs duties, and other miscellaneous receipts.

Chart 17

Tax Revenues Under Present Law

The current services projections represent the Administration's estimate of what federal tax revenues would be under existing law. Similarly, the CBO baseline represents the Congressional Budget Office's projections of Federal revenue if current policies remain unchanged.

Under President Bush's 1990 budget proposals, total receipts would rise to $1,066 billion in 1990 and $1,148 in 1991. These proposals are listed in chart 17. For comparison, under President Reagan's 1990 budget recommendations, total receipts would have risen to $1,059 billion in 1990 and $1,141 billion in 1991.

Chart 18.—DESCRIPTION OF BUSH ADMINISTRATION PROPOSALS ON RECEIPTS

[In billions of dollars]

		1990	1991	1992
1.	Child care credit [1]	–0.2	–1.9	–2.2
2.	Adoption expenses	–*	–*	–*
3.	Energy incentives	–0.3	–0.4	–0.4
4.	Enterprise zones	–0.2	–0.2	–0.3
5.	Capital Gains	4.8	4.9	3.5
6.	Extend telephone tax [2]		1.6	2.6
7.	Medicare coverage of State and local employees [2].	1.8	1.9	1.9
8.	R&E allocation rules	–1.7	–0.7	–0.8
9.	R&E tax credit	–0.4	–0.7	–1.0
10.	IRS enforcement intiative	0.3	0.6	0.7
11.	NRC and FEMA user fees	0.3	0.4	0.4
12.	Aviation-related taxes [2]	0.9	1.6	1.7
13.	Credit user fees	0.2	0.4	0.8
14.	Service user fees	0.4	0.4	0.5
15.	Outer Continental Shelf receipts	*	....	–0.1
16.	Arctic National Wildlife Refuge	2.1	*	*
17.	Chlorofluorocarbon production rights	0.4	1.4	0.6
18.	Unassigned spectrum, FCC	2.3	1.1	....
19.	Customs Service	–0.2	–0.2	–0.3
20.	Other	–0.1	0.1	0.1
	TOTAL	10.6	10.3	7.6

* $50 million or less.

[1] Includes the effect on outlays.

[2] Net of income tax offsets.

Chart 18

Description of Bush Administration Proposals on Receipts

1. Child Care Credit.—The Administration proposes establishing a new refundable child care tax credit of up to $1,000 for each child under age four for families with adjusted gross income up to $13,000; the income ceiling would be gradually raised up to $20,000 by 1994. The Administration proposal would also make the existing child and dependent care credit refundable.

2. Deduction for Special Needs Adoption.—The Administration proposes restoring a deduction of up to $3,000 for the expenses associated with adopting special needs children. The Tax Reform Act of 1986 replaced the old deduction for special needs adoptions with a federal/state matching grant program. Under the Administration's proposal, adoption expenses that are reimbursed under this adoption assistance outlay program would become taxable income.

3. Energy Tax Incentives.—The Administration makes four proposals to boost energy production: a tax credit of up to 10 percent for exploratory intangible drilling costs; a 10 percent tax credit for capital expenditures on new tertiary enhanced recovery projects; for percentage depletion, eliminating the transfer rule and increasing the net income limitation for independent producers; and eliminating 80 percent of the exploratory intangible drilling cost preferences of independent producers from the minimum tax.

4. Enterprise Zones.—The Administration proposes targeting new employment- and capital-based tax incentives to businesses that locate in designated enterprise zones. Under the Administration's proposal, up to 70 zones would be eligible for these tax benefits.

5. Capital Gains Tax Reduction.—The Administration proposes to allow individuals to exclude 45 percent of capital gains on qualified assets, generally corporate stock, principal residences and other non-depreciable assets. The maximum capital gains tax rate would not exceed 15 percent; certain taxpayers with adjusted gross incomes under $20,000 would be eligible for a 100 percent capital gains exclusion. The proposal would be effective for dispositions after June 30, 1989. The Administration also proposes that the holding period on long-term capital gains would be one year for assets sold between 1989 and 1992, two years for sales in 1993 and 1994 and three years for sales in 1995 and thereafter.

6. Telephone Excise Tax.—The Administration proposes making the current 3 percent federal excise tax on telephone service permanent. Under existing law, the excise tax is scheduled to expire at the end of 1990.

7. Extension of Medicare hospital insurance (HI) coverage to all State and local government employees.—The Administration proposes extending mandatory Medicare hospital insurance coverage to state and local employees hired on or before March 31, 1986. Employees hired after that date are covered under existing law.

8. Allocation of Research and Experimentation expenses.—The Administration proposes allowing companies to allocate at least 67 percent of total R&E expenditures to domestic source income. Under prior law, U.S. firms could allocate 64 percent of these expenses to U.S. source income; that formula generally expired on May 1, 1988. The Administration proposal would make the allocation rules permanent retroactive to May 1, 1988.

9. Research and Experimentation Tax Credit.—The Administration proposes making the existing 20 percent credit for qualified research expenses permanent, with technical modifications. The credit is presently scheduled to expire on December 31, 1989.

Under the Administration's proposal, only those expenses that exceed a fixed historical base (the firm's average R&E expenditures between 1983 and 1987) would be eligible for the credit. This new base would be indexed to the GNP. Also, an optional 7 percent credit would be available.

10. Internal Revenue Service Enforcement Initiative.—The Administration proposes increasing budget authority for the IRS by $289 million in 1990. The increased funding for enforcement activities is estimated to generate additional net receipts of $0.3 billion in 1990 and $0.6 billion in 1991.

11. Nuclear Regulatory Commission and Federal Emergency Management Agency User Fees.—The Administration proposes recovering 100 percent of the costs of the NRC and FEMA to regulate the nuclear power industry. Under existing law, 45 percent of the NRC's costs are recovered through a user fee. The changes would be effective October 1, 1989.

12. Aviation-Related Taxes.—Under existing law, the taxes that fund the airport and airway trust fund are to be reduced by 50 percent if the appropriations for 1988 and 1989 are less than 85 percent of authorizations for capital projects. The Administration proposes repealing this tax reduction "trigger."

13. Credit User Fees.—The Administration proposes increasing the fees for a variety of federal credit programs and activities.

14. Service User Fees.—The Administration proposes imposing a Coast Guard user fee on recreational boat owners and new user fees to enhance the consumer protections of the Food and Drug Administration.

15. Outer Continental Shelf Receipts.—The Administration recommends proceeding with several Outer Continental Shelf lease sales covered by leasing moratoria.

16. Arctic National Wildlife Refuge.—The Administration proposes sales of oil and gas leases in the Arctic National Wildlife Refuge.

17. Chlorofluorocarbon Production Rights.—The Administration proposes charging market value for the limited rights to produce chloroflurocarbons imposed under international agreement.

18. Federal Communications Commission Unassigned Spectrum.—The Administration proposes adopting a competitive bidding process for broadcasting licenses that provide exclusive use of unassigned spectrum.

19. Customs Service User Fee.—The Administration proposes modifications to the existing customs user fee to conform with the requirements of the General Agreement on Tariffs and Trade (GATT).

20. Miscellaneous Receipts Proposals.—The Administration makes several miscellaneous proposals affecting receipts, which include eliminating the Superfund petroleum tax differential on imports, extending the customs processing fee, charging a user fee for taxpayer telephone services, exempting Amtrak from the full railroad unemployment tax rate, increasing employer contributions to the Civil Service Retirement System and initiating Federal Marine Fishing licenses and fees.

CHART 19.—TAX EXPENDITURES

[In billions of dollars]

	Outlay equivalent		Revenue loss	
	1989	1990	1989	1990
National defense	2.2	2.3	1.9	2.0
International affairs	7.0	7.5	4.8	5.1
General science, space, and technology	2.5	2.7	2.2	2.3
Energy	1.3	1.5	0.9	1.1
Natural resources and environment	3.2	3.4	2.5	2.6
Agriculture	0.8	0.6	0.8	0.6
Commerce and housing	155.8	163.8	122.6	130.7
Transportation	0.2	0.1	0.1	0.1
Community and regional development	1.8	2.2	1.3	1.5
Education, training, employment and social services	20.4	21.3	18.5	19.4
Health	47.4	51.0	39.3	42.3
Income security	84.9	91.4	65.8	70.8
Social security	17.4	18.2	17.4	18.2
Veterans benefits and services	1.9	2.0	1.8	1.9
General government	35.5	37.7	29.4	31.5
Interest	0.9	1.0	0.9	1.0

Chart 19

Tax Expenditures

The concept of tax expenditures was developed in order to compare the Federal government's outlays to the budgetary impact of various deductions, deferrals and credits in the tax structure. It was intended that, with this information, consideration of the budget might involve examination of both direct expenditures and tax expenditures as alternate means of providing incentives.

The Budget Act defines tax expenditures as "revenue losses" attributable to provisions of the Federal tax laws that allow a special exclusion, exemption, or deduction from gross income, or which provide a special credit, a preferential rate of tax, or a deferral of liability. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term encompasses tax provisions of limited applicability, which are exceptions to provisions of more general applicability considered necessary to make the tax system function.

The definition of "tax expenditure" is not precise. This imprecision has resulted in substantial controversy. Chart 18 includes all items listed as tax expenditures by the Administration. A listing of a provision as a "tax expenditure" here is not intended to imply approval or disapproval, or any judgment about the effectiveness of any provision.

Chart 18 presents a summary of tax expenditures by budget functional category. The chart reflects both the Administration's estimate of the budget outlay equivalent for tax expenditures and the Administration's estimates of the revenue loss for tax expenditures.

Tax expenditure estimates should not be interpreted as the increase in Federal receipts (or reduction in the budget deficit) that would result if a provision were repealed. Repeal of some provisions could affect the aggregate level of income and economic growth. Many tax expenditures are not independent of each other; their values are largely interdependent. Additionally, the annual value of tax expenditures is very time-dependent.

Chart 20.— DEBT LIMIT

[In trillions of dollars]

Fiscal 1990 Debt Limit:	
Current debt limit	2.800
Administration estimate of debt subject to limit on September 30, 1989	2.845
Plus:	
Federal funds deficit for fiscal 1990	0.241
Other transactions [1]	-0.002
Equals:	
Debt subject to limit on September 30, 1990	3.084

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[1] For example, increase or decrease in cash balances, "profit" on coinage, increase or decrease in certain debt holding which are not subject to limit.

Chart 20

Debt Limit

Since 1983, the practice of Congress has generally been to increase the statutory limit on the public debt on a permanent basis. The current debt limit of $2.8 trillion was established by Public Law 100-119, which was enacted on September 29, 1987. With a permanent debt limit, the exact date at which an increase will be needed cannot be accurately projected well in advance. The Budget submitted by President Reagan indicates a debt level of $2.845 trillion by September 30, 1990. This would indicate a need for legislation raising the debt ceiling near the end of the current fiscal year.

The annual increase in the amount of debt subject to limit corresponds closely to the Federal funds deficit, that is the deficit in that part of the Federal Government which is financed by general revenues rather than through trust fund operations. (Trust fund surpluses do not lower the total borrowing needs of the Government; they simply allow the Government to meet those needs by borrowing from the trust funds rather than from the general public.)

Projected Debt Subject to Limit

[In trillions of dollars]

	CBO Baseline	Administration budget
End of fiscal year:		
1990	3.108	3.083
1991	3.382	3.309
1992	3.665	3.506

APPENDIX A

Committee on Finance Reports to the Budget Committee with Respect to Fiscal Years 1988 and 1989

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, February 25, 1987

Hon. Lawton Chiles,
Chairman, Committee on the Budget,
U.S. Senate Washington DC

DEAR MR. CHAIRMAN:

This letter transmits the views and estimates of the Committee on Finance with respect to those elements dealt with in the Congressional Budget which fall within its jurisdiction. This constitutes the report of the Committee as provided for in section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended.

Overall budgetary situation.—Under the Balanced Budget and Emergency Deficit Control Act of 1985, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1991. The projections of the Congressional Budget Office indicate that the President's budget proposals fall far short of meeting the fiscal year 1988 deficit target. Given this situation, the Committee believes that this year's annual report to the Budget Committee would not be helpful to your deliberations if it proceeded from the narrow context of the specific proposals and amounts contained in the OMB budget documents. Instead the Committee would like to share with the Budget Committee its views and estimates on the broader budgetary issues as they appear to the Committee on Finance at this time. We hope these comments will be helpful to the Budget Committee as it determines its recommendations to the Senate as to the deficit reduction objectives to be assigned by the budget resolution to the Committees of the Senate.

Importance of reducing the deficit.—The Finance Committee is responsible for legislation which provides funding for the government through the imposition of taxes and through borrowing from the public. For this reason, the Committee is keenly aware of the importance of bringing under control the unacceptable levels of deficit financing which have prevailed in recent years. In the absence of serious deficit reduction, the statutory debt limit will have to be raised above $3 trillion by the end of the 3-year period covered by this letter. The Committee believes it is essential to deal seriously and promptly with this situation. Accordingly, the Committee looks forward to working with the Budget Committee in developing and implementing a realistic, balanced, and serious Congressional budget plan for substantially reducing the deficit in the coming fiscal years. As it has consistently done since the adoption of the Congressional Budget Act over ten years ago, the Committee on Finance intends to take seriously its obligations to respond to the directives of the Congress pursuant to the concurrent resolution on the budget. The Committee does, of course, reserve the right to determine how it will within the matters under its jurisdiction arrive at the necessary legislative recommendations to carry out the budgetary objectives of the budget resolution.

General comments on Finance Committee expenditure programs.—The Committee on Finance recognizes that each of the Committees of the Senate has jurisdiction over programs which meet important national needs. Deficit reduction is a matter of high priority, but government does have a responsibility to develop and maintain adequate resources to meet its obligation to provide essential services in a number of areas. In developing the budget resolution, the Congress will have to seek deficit reduction without abandoning fundamental responsibilities and in a manner which provides a reasonable balance among the priorities served by the different jurisdictions of committees.

In the case of the Finance Committee, the greatest part of the Committee's authorizing and spending jurisdiction involves expenditures which are either vital to the maintenance of the national revenue collecting capacity or involve basic income and health support systems which are essential to the economic and physical well being of individuals. Over the past several years, the Committee has examined and reexamined these programs. Administrative reforms have been enacted; in some cases new and more effective financial structures have been implemented; changes in programs have been made to eliminate certain lower priority or less targeted benefits. While it may be a truism that ways to economize can always be found, there is also a law of diminishing returns. At some point significant additional savings can be generated only if Congress determines that it is necessary to reduce the basic levels of protection afforded by these programs.

Social security.—By law, the social security cash benefits programs (Old-age, survivors, and disability insurance) are excluded from the Federal budget and social security provisions are not permitted to appear in budget reconciliation bills. This reflects the fact that the social security program is a self-contained, self-financing system. It has been the judgment of the Congress that it is inappropriate to make reductions in this program solely to achieve general budgetary objectives. Through the year 2000 (and beyond), this program will in fact show a significant annual surplus which will substantially reduce the overall budget deficit as measured for purposes of the current law deficit targets. Without counting social security, the fiscal year 1988 deficit would be increased by some $40 billion.

Other income security programs.—Also in the Finance Committee's jurisdiction are such programs as unemployment compensation, aid to families with dependent children, child support, and trade adjustment assistance. The major part of the unemployment compensation program—although on the Federal budget—is financed from State imposed payroll taxes and controlled by State-enacted and administered benefit provisions. Both the Administration and the Committee will be addressing the question of how our welfare system should be structured to improve the well-being of families with children. In addition, the Administration has proposed a new initiative in worker adjustment assistance. The nature of all of these initiatives has not yet been determined, but the Committee expects that any additional costs can be offset in these or other areas so as to avoid any negative budgetary impact.

Health programs.—The major area of Finance Committee deficit reduction proposed in the President's budget involves the health programs of Medicare and Medicaid. The Committee has not yet had the opportunity to give all of these proposals the careful scrutiny that would be appropriate before endorsing or rejecting them on the merits. In general, however, the Committee notes that of the total $6.4 billion in proposed deficit reduction, about $1.5 billion would be achieved by requiring State governments to assume costs which are now Federally financed. $ 350 million represents a direct increase in beneficiary costs. A substantial part of the remaining expenditure is, at least nominally, achieved by reducing reimbursement to providers. The Committee recognizes and shares the concern over the growth which has taken place in health program costs. The Committee intends to give careful consideration to proposals which have been made to constrain these costs and does expect to be able to achieve additional savings. At the same time, the Committee believes that, in establishing expected savings for the program in the budget resolution, Congress must consciously consider the extent to which such savings will come from cost shifting rather than cost constraint. Even measures to constrain provider reimbursement are likely, at least at some level, to be translated into reduced services or cost shifting to beneficiaries or other consumers.

The Committee plans to undertake several legislative initiatives relating to health care. Specifically, the Committee expects to act on legislation to provide additional financial protections for individuals and families that experience catastrophic costs associated with prolonged illness. The Committee also expects to continue its ongoing efforts to expand access to services for low income infants and children. Finally, the Committee has undertaken a series of hearings on the issue of long term care and access to care. While the precise nature of a long term care initiative has not been determined, it is likely that the Committee will develop legislation aimed at improving the quality of care provided in institutional settings.

Recognizing the magnitude of the current Federal deficit, the Committee expects to be able to accomplish these initiatives in a way that will not require major new Federal expenditures without corresponding budgetary offsets.

Customs service.—In prior years, the Administration proposed that it be authorized to establish a customs user fee to cover the costs incurred by the Customs Service in the processing of imports. In its current budget, the Administration proposes an expansion and extension of these fees which were enacted by the Congress last year. While imposing customs user fees may have the effect of reducing the deficit, the fees' main purpose is to offset the costs of administering the commercial operations of the Customs Service. The Committee remains concerned that the Customs Service provide a high level of service for commercial operations as well as for drug enforcement.

In an attempt to assure that these fees would not, in effect, be simply swallowed up in the general budget, the legislation last year established a special account in such a way that these funds should have been accounted as offsetting receipts (as they were proposed to be in prior Administration budgets). The Committee has some concern that the technical accounting adopted by the Congressional Budget Office does not treat these fees as offsetting receipts contrary to the clear legislative history, and this could raise some question as to whether the intent of last year's legislation that the fees be devoted to providing for the commercial operations of the Customs Service is being followed even with respect to the current-law level of fees. Any consideration of proposals to expand the fees would certainly require a careful examination of this matter.

Revenues.—The President's budget proposes approximately $6 billion in new revenues within the jurisdiction of the Finance Committee. The new revenues would be achieved through a variety of miscellaneous changes in highway taxes, social security taxes, Medicare taxes, and similar revenue sources.

More study will be needed before the Committee is prepared to take a position on the merits of the Administration's proposals, or on the merits of alternative proposals. However, concern has been expressed on the Committee that increasing dedicated taxes and user fees to reduce the deficit, without relation to the needs of the programs funded by such taxes, threatens the basic policy behind user-funded programs.

In addition, the Committee wishes to note that the sweeping income tax reform legislation enacted last year has just begun to go into effect. One of the important goals of that legislation was to establish stability in the income tax laws. Accordingly, the Committee would be reluctant to revisit the basic policy decisions underlying the Tax Reform Act of 1986 as part of this year's budget process.

As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other Committees of the Senate. We must emphasize, however, that the Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to a specific set of options.

Interest—The interest function in the budget includes interest on the public debt, interest payments on certain tax refunds, and offsetting interest receipts. The greatest part of this expenditure item relates to accumulated deficits although the amount is also affected by interest rates, and to a lesser extent, by the current year budget deficit. Although this expenditure item falls within the general legislative jurisdiction of the Committee on Finance, it is affected by the total level of governmental spending.

Public Debt Limit.—The debt limit under existing law is temporarily set a $2.3 trillion. As of May 15, this statutory limit will automatically revert to a level of $2.111 trillion which is below the current level of outstanding debt subject to the limit. The level of debt continues to mount at a serious rate. The Congressional Budget Office baseline projections would indicate a debt level in excess of $3 trillion by the end of the 3-year period covered by this report (i.e. by the end of fiscal 1990). The Administration budget projects a $220 billion increase in debt during fiscal 1988. As with interest, this budgetary item falls within the legislative jurisdiction of the Committee on Finance but is actually controlled by the overall general governmental budget.

Sincerely,

LLOYD BENTSEN, *Chairman*

U.S. SENATE,
COMMITTEE ON FINANCE,
March 25, 1988

Hon. Lawton Chiles,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC

DEAR MR. CHAIRMAN:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting to you the attached document presenting the views and estimates of the Committee on Finance with respect to the Fiscal Year 1989 budget.

Sincerely,

LLOYD BENTSEN, *Chairman*

March 25, 1988

Views and Estimates of the Committee on Finance With Respect to the Budget for Fiscal Year 1989

Overall budgetary situation.—Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1993. In any given year, automatic cuts in spending levels will be triggered if the required deficit reduction has not been achieved as determined by the Office of Management and Budget. The President's budget for fiscal year 1989 projects a deficit which meets the target. Even without additional legislation, the current services projections in the President's budget indicate a FY 1989 deficit which is within the tolerance required to avoid a sequestration.

The Committee recognizes that other estimates, and specifically those of the Congressional Budget Office, project deficits which fall short of meeting the statutory targets. As the Committee with primary legislative responsibility for financing the operations of the Government, the Committee on Finance is keenly aware of the importance of reducing the massive deficits of recent years.

It is clear, however, that effective action against the deficits requires cooperative efforts on the part of the Congress and the Administration.

Last year's budget agreement is an important milestone in the search for a partnership between the Administration and the Congress in addressing the deficit. It is clear that further efforts of this nature will be required in coming years to bring the income and outgo of the Government back into balance. For the current year, however, the Committee feels that it would be appropriate to accept the view that last year's budget agreement was a 2-year undertaking and to establish the budgetary plan for this year in a manner which requires as little deviation from that 2-year agreement as possible.

At the same time, the Committee recognizes that Congress retains a responsibility to deal with the high priority needs of the nation and that there remains some unfinished business on the agenda of the 100th Congress which will need to be accommodated within this year's budget plan. The Finance Committee expects that it will be possible to deal with such matters in a manner which is consistent with the budget agreement.

Tax proposals.—The Committee strongly believes that the budget resolution should assume no net increase or decrease in revenues. Last year's budget agreement required the tax- writing committees to raise $23 billion in new revenues for the 2-year period. Both the Office of Management and Budget and the Congressional Budget Office currently forecast that that target will be fully met as a result of last year's budget reconciliation legislation. Accordingly, in the Committee's judgment, a further net increase in revenues for fiscal year 1989 would be contrary to the budget agreement.

Medicare.—The Committee notes that the Medicare program has over the past several years borne much of the burden of outlay reduction. While that program does represent a major element of

Federal spending, it cannot continue indefinitely to absorb cutbacks without damaging the health care system in ways which will ultimately be harmful to the Nation. The Committee will of course continue to carefully review this program to assure that it is operating on a fiscally sound and efficient basis. The Committee strongly recommends, however, that the Congressional budget for fiscal year 1989 not be based on any assumption of further cutbacks in this program.

Medicaid.—The Medicaid program is one of the highest priority areas for Congressional support. The Committee believes that legislative initiatives in this area undertaken last year should be completed before the end of the current Congress. Last year's budget assumed legislation in such important areas as spousal impoverishment and increased coverage for children and pregnant women which would increase Federal Medicaid expenditures by $600 million. Legislation enacted last year utilized only about $50 million of this total. We recognize that in the current budgetary situation it may not be possible to accommodate the full amount which was not used last year. However, we recommend that the Budget Committee leave room in the budget resolution it proposes to the Senate for at least $450 million in fiscal year 1989 so that Congress can complete action on these already planned Medicaid initiatives.

The Committee notes that the Administration is implementing a number of regulatory changes affecting the Medicaid program. In view of concerns which have been raised about some of these policy changes, it would be unwise at this time to assume that the projected savings from them will actually materialize.

Welfare reform.—The Committee expects to complete action on legislation to restructure the welfare program in a manner designed to better help recipients attain self- sufficiency through employment, education, and training and through more effective collection of child support payments. The President's budget includes net funding for such a program at a level of $168 million for fiscal year 1989. This projection is based on a somewhat unrealistic baseline estimate of the Work Incentive (WIN) program. Adjusting for that underestimate of WIN requirements would yield a net cost of approximately $200 million for welfare reform. The Committee believes that an amount of this magnitude (adjusted as appropriate for differences in estimating methodologies) would be an appropriate allowance in the Congressional budget for the phase out of WIN and the implementation of a new welfare system during fiscal year 1989. To the extent that the Committee recommends legislation which exceeds the baseline costs, it will attempt to provide appropriate budgetary offsets. The Committee notes that the amount allowed in the budget for welfare reform should be included in the Finance Committee's allocations under section 302(a) of the Budget Act.

Other Finance Committee programs.—In general, the Committee recommends that the Budget Resolution be based on an assumption that the other programs in its jurisdiction be continued without substantive change. Two exceptions to this general rule should be noted. We recommend that the Budget Resolution accommodate a Trade Adjustment Assistance program along the lines of the Trade bill as passed by the Senate. This measure is currently pending in conference. In addition, by apparent inadvertence, the continuing resolution for fiscal year 1988 failed to fully fund the entitlement of the States under the social services block grant program. There is some question as to whether the Appropriations Committees will be able to find a mechanism to rectify this problem in the fiscal year 1988 appropriations. If not, allowance for this $50 million should be included in the fiscal year 1989 budget so that this statutory commitment can be honored. With respect to funding for the operations of the Customs Service, the Committee recommends that the budget resolution assume sufficient funding to assure at least a continuation of current levels of service.

Public Debt Limit.—The debt limit under existing law is set at $2.8 trillion. Current budget estimates project a level of debt as of the end of fiscal 1989 which is quite close to this existing limit . The Finance Committee, therefore, recommends that the Budget Resolution assume a continuation of the current $2.8 trillion level. This will avoid the triggering of new debt limit legislation when it is clear that such legislation will not be needed for the remainder of this calendar year and may not be needed until the end of the next calendar year.

As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other Committees of the Senate. We must emphasize, however, that the Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to any specific set of options.

APPENDIX B

Excerpt From the Congressional Budget and Impoundment Control Act of 1974, as Amended

DEFINITIONS

SEC. 3. IN GENERAL.—For purposes of this Act—

(1) The terms "budget outlays" and "outlays" mean, with respect to any fiscal year, expenditures and net lending of funds under budget authority during such year.

(2) The term "budget authority" means authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds or to collect offsetting receipts, except that such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(3) The term "tax expenditures" means those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability; and the term "tax expenditures budget" means an enumeration of such tax expenditures.

(4) The term "concurrent resolution on the budget" means—

(A) a concurrent resolution setting forth the congressional budget for the United States Government for a fiscal year as provided in section 301; and

(B) any other concurrent resolution revising the congressional budget for the United States Government for a fiscal year as described in section 304.

(5) The term "appropriation Act" means an Act referred to in section 105 of title 1, United States Code.

(6) The term "deficit" means, with respect to any fiscal year, the amount by which total budget outlays for such fiscal year exceed total revenues for such fiscal year. In calculating the deficit for purposes of comparison with the maximum deficit amount under the Balanced Budget and Emergency Deficit Control Act of 1985 and in calculating the excess deficit for purposes of sections 251 and 252 of such Act (notwithstanding section 710(a) of the Social Security Act), for any fiscal year, the receipts of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for such fiscal year and the taxes payable under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 during such fiscal year shall be included in total revenues for such fiscal year, and the disbursements of each such Trust Fund for such fiscal year shall be included in total budget outlays for such fiscal year. Notwithstanding any other provision of law except to the extent provided by section 710(a) of the Social Security Act, the receipts, revenues, disbursements,

budget authority, and outlays of each off-budget Federal entity for a fiscal year shall be included in total budget authority, total budget outlays, and total revenues and the amounts of budget authority and outlays set forth for each major functional category, for such fiscal year. Amounts paid by the Federal Financing Bank for the purchase of loans made or guaranteed by a department, agency or instrumentality of the Government of the United States shall be treated as outlays of such department, agency, or instrumentality.[1]

[Section 3(7) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(A) as amended by P.L. 100-119.]

(7) The term "maximum deficit amount" means—

(A) with respect to the fiscal year beginning October 1, 1985, $171,900,000,000;

(B) with respect to the fiscal year beginning October 1, 1986, $144,000,000,000;

(C) with respect to the fiscal year beginning October 1, 1987, $144,000,000,000;

(D) with respect to the fiscal year beginning October 1, 1988, $136,000,000,000;

(E) with respect to the fiscal year beginning October 1, 1989, $100,000,000,000;

(F) with respect to the fiscal year beginning October 1, 1990, $64,000,000,000;

(G) with respect to the fiscal year beginning October 1, 1991, $28,000,000,000; and

(H) with respect to the fiscal year beginning October 1, 1992, zero.

(8) The term "off-budget Federal entity" means any entity (other than a privately owned Government-sponsored entity)—

(A) which is established by Federal law, and

(B) the receipts and disbursements of which are required by law to be excluded from the totals of—

(i) the budget of the United States Government submitted by the President pursuant to section 1105 of title 31, United States Code, or

(ii) the budget adopted by the Congress pursuant to title III of this Act.

(9) The term "entitlement authority" means spending authority described by section 401(c)(2)(C).

(10) The term "credit authority" means authority to incur direct loan obligations or to incur primary loan guarantee commitments.

[Public Law 95-110, 91 Stat. 884, September 20, 1977, An Act to Abolish the Joint Committee on Atomic Energy, repealed section 3(b).]

TITLE III—CONGRESSIONAL BUDGET PROCESS

TIMETABLE

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

On or before:	Action to be completed:
First Monday after January 3	President submits his budget.
February 15	Congressional Budget Office submits report to Budget Committees.
February 25	Committees submit views and estimates to Budget Committees.
April 1	Senate Budget Committee reports concurrent resolution on the budget.
April 15	Congress completes action on concurrent resolution on the budget.
May 15	Annual appropriation bills may be considered in the House.
June 10	House Appropriations Committee reports last annual appropriation bill.
June 15	Congress completes action on reconciliation legislation.
June 30	House completes action on annual appropriation bills.
October 1	Fiscal year begins.

ANNUAL ADOPTION OF CONCURRENT RESOLUTION ON THE BUDGET

SEC. 301. (a) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—On or before April 15 of each year, the Congress shall complete action on a concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of such year, and planning levels for each of the two ensuing fiscal years, for the following—

(1) totals of new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments;

(2) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(3) the surplus or deficit in the budget;

(4) new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments for each major functional category, based on allocations of the total levels set forth pursuant to paragraph (1); and

(5) the public debt.[1]

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[1] See Rule XLIX of the Rules of the House of Representatives as it pertains to the statutory limit on the public debt in the House of Representatives, p. 50.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The concurrent resolution on the budget may—

(1) set forth, if required by subsection (f), the calendar year in which, in the opinion of the Congress, the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 should be achieved;

(2) include reconciliation directives described in section 310;

(3) require a procedure under which all or certain bills or resolutions providing new budget authority or new entitlement authority for such fiscal year shall not be enrolled until the Congress has completed action on any reconciliation bill or reconciliation resolution or both required by such concurrent resolution to be reported in accordance with section 310(b); and

(4) set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes of this Act.

(c) CONSIDERATION OF PROCEDURES OR MATTERS WHICH HAVE THE EFFECT OF CHANGING ANY RULE OF THE HOUSE OF REPRESENTATIVES.—If the Committee on the Budget of the House of Representatives reports any concurrent resolution on the budget which includes any procedure or matter which has the effect of changing any rule of the House of Representatives, such concurrent resolution shall then be referred to the Committee on Rules with instructions to report it within five calendar days (not counting any day on which the House is not in session). The Committee on Rules shall have jurisdiction to report any concurrent resolution referred to it under this paragraph with an amendment or amendments changing or striking out any such procedure or matter.

(d) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before February 25 of each year, each committee of the House of Representatives having legislative jurisdiction shall submit to the Committee on the Budget of the House and each committee of the Senate having legislative jurisdiction shall submit to the Committee on the Budget of the Senate its views and estimates (as determined by the committee making such submission) with respect to all matters set forth in subsections (a) and (b) which relate to matters within the jurisdiction or functions of such committee. The Joint Economic Committee shall submit to the Committees on the Budget of both Houses its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House of Representatives or the Senate may submit to the Committee on the Budget of its House, and any joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsections (a) and (b) which relate to matters within its jurisdiction or functions.

(e) HEARINGS AND REPORT.—In developing the concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the Committee deems desirable. Each of the recommendations as to short-term and medium-term goals set forth in the report submitted by the members of the Joint Economic Committee under subsection (d) may be considered by the Committee on the Budget of each House as part of its consideration of such concurrent resolution, and its report may reflect its views thereon, including its views on how the estimates of revenues and levels of budget authority and outlays set forth in such concurrent resolution are designed to achieve any goals it is recommending. The report accompanying such concurrent resolution shall include, but not be limited to—

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, total direct loan obligations, total primary loan guarantee commitments, as set forth in such concurrent resolution, with those estimated or requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof) with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and with each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and any alternative economic assumptions and objectives which the committee considered;

(6) projections (not limited to the following), for the period of five fiscal years beginning with such fiscal year, of the estimated levels of total budget outlays and total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments;

(8) information, data, and comparisons indicating the manner in which and the basis on which, the committee determined each of the matters set forth in the concurrent resolution; and

(9) allocations described in section 302(a).

(f) ACHIEVEMENT OF GOALS FOR REDUCING UNEMPLOYMENT.—

(1) If, pursuant to section 4(c) of the Employment Act of 1946, the President recommends in the Economic Report that the goals for reducing unemployment set forth in section 4(b) of such Act be achieved in a year after the close of the five-year period prescribed by such subsection, the concurrent resolution on the budget for the fiscal year beginning after the

date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(2) After the Congress has expressed its opinion pursuant to paragraph (1) as to the year in which the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 can be achieved, if, pursuant to section 4(e) of such Act, the President recommends in the Economic Report that such goals be achieved in a year which is different from the year in which the Congress has expressed its opinion that such goals should be achieved, either in its action pursuant to paragraph (1) or in its most recent action pursuant to this paragraph, the concurrent resolution on the budget for the fiscal year beginning after the date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(3) It shall be in order to amend the provision of such resolution setting forth such year only if the amendment thereto also proposes to alter the estimates, amounts, and levels (as described in subsection (a)) set forth in such resolution in germane fashion in order to be consistent with the economic goals (as described in section 3(a)(2) and 4(b) of the Employment Act of 1946) which such amendment proposes can be achieved by the year specified in such amendment.

(g) ECONOMIC ASSUMPTIONS.—

(1) It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year, or any amendment thereto, or any conference report thereon, that sets forth amounts and levels that are determined on the basis of more than one set of economic and technical assumptions.

(2) The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall set forth the common economic assumptions upon which such joint statement and conference report are based, or upon which any amendment contained in the joint explanatory statement to be proposed by the conferees in the case of technical disagreement, is based.

(3) Subject to periodic reestimation based on changed economic conditions or technical estimates, determinations under titles III and IV of the Congressional Budget Act of 1974 shall be based upon such common economic and technical assumptions.

(h) BUDGET COMMITTEE CONSULTATION WITH COMMITTEES.—The Committee on the Budget of the House of Representatives shall consult with the committees of its House having legislative jurisdiction during the preparation, consideration, and enforcement of the concurrent resolution on the budget with respect to all matters which relate to the jurisdiction or functions of such committees.

[Section 301(i) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.]

(i) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—

(1)(A) Except as provided in paragraph (2), it shall not be in order in either the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year under this section, or to consider any amendment to such a concurrent resolution, or to consider a conference report on such a concurrent resolution, if the level of total budget outlays for such fiscal year that is set forth in such concurrent resolution or conference report exceeds the recommended level of Federal revenues set forth for that year by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7), or if the adoption of such amendment would result in a level of total budget outlays for that fiscal year which exceeds the recommended level of Federal revenues for that fiscal year, by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7).

(B) In the House of Representatives the point of order established under subparagraph (A) with respect to the consideration of a conference report or with respect to the consideration of a motion to concur, with or without an amendment or amendments, in a Senate amendment, the stage of disagreement having been reached, may be waived only by a vote of three-fifths of the Members present and voting, a quorum being present.

(2) (A) Paragraph (1) of this subsection shall not apply if a declaration of war by the Congress is in effect.

(B) Paragraph (1) shall not apply to the consideration of any concurrent resolution on the budget for fiscal year 1988 or fiscal year 1989, or amendment thereto or conference report thereon, if such concurrent resolution or conference report provides, or in the case of an amendment if the concurrent resolution as changed by the adoption of such amendment would provide for deficit reduction from a budget baseline estimate as specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year (based on laws in effect on January 1 of the calendar year during which the fiscal year begins) equal to or greater than the maximum amount of unachieved deficit reduction for such fiscal year as specified in section 251(a)(3)(A) of such Act.

(C) For purposes of the application of subparagraph (B), the amount of deficit reduction for a fiscal year provided for in a concurrent resolution, or amendment thereto or conference report thereon, shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

SEC. 302. (a) ALLOCATION OF TOTALS.—

(1) For the House of Representatives, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays, total new budget authority, total entitlement authority, and total credit authority among each committee of

the House of Representatives which has jurisdiction over laws, bills and resolutions providing such new budget authority, such entitlement authority, or such credit authority. The allocation shall, for each committee, divide new budget authority, entitlement authority, and credit authority between amounts provided or required by law on the date of such conference report (mandatory or uncontrollable amounts), and amounts not so provided or required (discretionary or controllable amounts), and shall make the same division for estimated outlays that result from such new budget authority.

(2) For the Senate, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays, total new budget authority and new credit authority among each committee of the House of Representatives and the Senate which has jurisdiciton over bills and resolutions providing such new budget authority.

(b) REPORTS BY COMMITTEES.—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays, new budget authority, and new credit authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection.

(c) POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider any bill or resolution, or amendment thereto, providing—

(1) new budget authority for a fiscal year;

(2) new spending authority as described in section 401(c)(2) for a fiscal year; or

(3) new credit authority for a fiscal year;

within the jurisdiction of any committee which has received an appropriate allocation of such authority pursuant to subsection (a) for such fiscal year, unless and until such committee makes the allocation or subdivision required by subsection (b), in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year.

(d) SUBSEQUENT CONCURRENT RESOLUTIONS.—In the case of a concurrent resolution on the budget referred to in section 304, the allocations under subsection (a) and the subdivision under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

(e) ALTERATION OF ALLOCATIONS.—At any time after a committee reports the allocations required to be made under subsection (b), such committee may report to its House an alteration of such allocations. Any alteration of such allocations must be consistent with any actions already taken by its House on legislation within the Committee's jurisdiction.

(f) LEGISLATION SUBJECT TO POINT OF ORDER.—

(1) IN THE HOUSE OF REPRESENTATIVES.—After the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in the House of Representatives to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, new entitlement authority effective during such fiscal year, or new credit authority for such fiscal year, or any conference report on any such bill or resolution, if—

(A) the enactment of such bill or resolution as reported;

(B) the adoption and enactment of such amendment; or

(C) the enactment of such bill or resolution in the form recommended in such conference report,

would cause the appropriate allocation made pursuant to subsection (b) for such fiscal year of new discretionary budget authority, new entitlement authority, or new credit authority to be exceeded.

(2) IN THE SENATE.—At any time after the Congress has completed action on the concurrent resolution on the budget required to be reported under section 301(a) for a fiscal year, it shall not be in order in the Senate to consider any bill or resolution (including a conference report thereon), or any amendment to a bill or resolution, that provides for budget outlays or new budget authority in excess of the appropriate allocation of such outlays or authority reported under subsection (b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year.

(g) DETERMINATIONS BY BUDGET COMMITTEES.—For purposes of this section, the levels of new budget authority, spending authority as described in section 401(c)(2), outlays and new credit authority for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of House of Representatives or the Senate, as the case may be.

CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, NEW CREDIT AUTHORITY, OR CHANGES IN REVENUES OR THE PUBLIC DEBT LIMIT IS CONSIDERED

SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution (or amendment thereto) as reported to the House or Senate which provides—

(1) new budget authority for a fiscal year;

(2) an increase or decrease in revenues to become effective during a fiscal year;

(3) an increase or decrease in the public debt limit to become effective during a fiscal year;

(4) new entitlement authority to become effective during a fiscal year; or

(5) new credit authority for fiscal year,

until the concurrent resolution on the budget for such fiscal year has been agreed to pursuant to section 301.

(b) EXCEPTIONS.—Subsection (a) does not apply to any bill or resolution—

(1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(2) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

After May 15 of any calendar year, subsection (a) does not apply in the House of Representatives to any general appropriation bill, or amendment thereto, which provides new budget authority for the fiscal year beginning in such calendar year.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution (or amendment thereto) to which subsection (a) applies may at or after the time it reports such bill or resolution (or amendment), report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution (or amendment), and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That Committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that Committee's recommendations and reasons for such recommendations with respect to the resolution. If the Committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal

shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) shall not apply with respect to the bill or resolution (or amendment thereto) to which the resolution so agreed to applies.

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 304. (a) IN GENERAL.—At any time the concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises or reaffirms the concurrent resolution on the budget for such fiscal year most recently agreed to.

[Section 304(b) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.]

(b) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—The provisions of section 301(i) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under section 301(i) (and amendments thereto and conference reports thereon).

(c) ECONOMIC ASSUMPTIONS.—The provisions of section 301(g) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under such section 301(g) (and amendments thereto and conference reports thereon).

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 305. (a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

(1) When the Committee on the Budget of the House of Representatives has reported any concurrent resolution on the budget, it is in order at any time after the fifth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution by the Committee on the Budget has been available to Members of the House and, if applicable, after the first day (excluding Saturdays, Sundays, and legal holidays) following the day on which a report upon such resolution by the Committee on Rules pursuant to section 301(c) has been available to Members of the House (even though a previous motion to the same effect has been dis-

agreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between majority and minority parties, plus such additional hours of debate as are consumed pursuant to paragraph (3). A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the House, there shall be a period of up to four hours for debate on economic goals and policies.

(4) Only if a concurrent resolution on the budget reported by the Committee on the Budget of the House sets forth the economic goals (as described in sections 3(a)(2) and 4(b) of the Full Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

(5) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be considered for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

(6) Debate in the House of Representatives on the conference report on any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to.

(7) Appeals from decisions of the Chair relating to the application of the Rules of the House of Representatives to the pro-

cedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that with respect to any concurrent resolution referred to in section 304(a) all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the Senate, there shall be a period of up to four hours for debate on economic goals and policies.

(4) Subject to the other limitations of this Act, only if a concurrent resolution on the budget reported by the Committee on the Budget of the Senate sets forth the economic goals (as described in sections 3(a)(2) and 4(b) of the Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

(5) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(6) Notwithstanding any other rule, an amendment or series of amendments to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

(c) Action on Conference Reports in the Senate.—

(1) The conference report on any concurrent resolution on the budget shall be in order in the Senate at any time after the third day (excluding Saturday, Sundays, and legal holidays) following the day on which such conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

(2) During the consideration in the Senate of the conference report on any concurrent resolution on the budget, and all amendments in disagreement, and all amendments thereto, and debatable motions and appeals in connection therewith, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

(d) Required Action by Conference Committee.—If at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

(1) a conference report recommending those matters on which they have agreed and reporting in disagreement those matters on which they have not agreed; or

(2) a conference report in disagreement, if the matter in disagreement is an amendment which strikes out the entire text of the concurrent resolution and inserts a substitute text.

(e) CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.—It shall not be in order in the Senate to vote on the question of agreeing to—

(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution.

HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED BY JUNE 10

SEC. 307. On or before June 10 of each year, the Committee on Appropriations of the House of Representatives shall report annual appropriation bills providing new budget authority under the jurisdiction of all of its subcommittees for the fiscal year which begins on October 1 of that year.

REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR NEW CREDIT AUTHORITY, OR PROVIDING AN INCREASE OR DECREASE IN REVENUES OR TAX EXPENDITURES.—

(1) Whenever a committee of either House reports to its House a bill or resolution, or committee amendment thereto, providing new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, or the committee shall make available such a state-

ment in the case of an approved committee amendment which is not reported to its House, prepared after consultation with the Director of the Congressional Budget Office—

(A) comparing the levels in such measure to the appropriate allocations in the reports submitted under section 302(b) for the most recently agreed to concurrent resolution on the budget for such fiscal year;

(B) including an identification of any new spending authority described in section 401(c)(2) which is contained in such measure and a justification for the use of such financing method instead of annual appropriations;

(C) containing a projection by the Congressional Budget Office of how such measure will affect the levels of such budget authority, budget outlays, spending authority, revenues, tax expenditures, direct loan obligations, or primary loan guarantee commitments under existing law for such fiscal year and each of the four ensuing fiscal years, if timely submitted before such report is filed; and

(D) containing an estimate by the Congressional Budget Office of the level of new budget authority for assistance to State and local governments provided by such measure, if timely submitted before such report is filed.

(2) Whenever a conference report is filed in either House and such conference report or any amendment reported in disagreement or any amendment contained in the joint statement of managers to be proposed by the conferees in the case of technical disagreement on such bill or resolution provides new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or provides an increase or decrease in revenues for a fiscal year, the statement of managers accompanying such conference report shall contain the information described in paragraph (1), if available on a timely basis. If such information is not available when the conference report is filed, the committee shall make such information available to Members as soon as practicable prior to the consideration of such conference report.

(b) UP-TO-DATE TABULATIONS OF CONGRESSIONAL BUDGET ACTION.—

(1) The Director of the Congressional Budget Office shall issue to the committees of the House of Representatives and the Senate reports on at least a monthly basis detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority, new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year. Such reports shall include but are not limited to an up-to-date tabulation comparing the appropriate aggregate and functional levels (including outlays) included in the most recently adopted concurrent resolution on the budget with the levels provided in bills and resolutions reported by committees or adopted by either House or by the Congress, and

with the levels provided by law for the fiscal year preceding such fiscal year.

(2) The Committee on the Budget of each House shall make available to Members of its House summary budget scorekeeping reports. Such reports—

(A) shall be made available on at least a monthly basis, but in any case frequently enough to provide Members of each House an accurate representation of the current status of congressional consideration of the budget;

(B) shall include, but are not limited to, summaries of tabulations provided under subsection (b)(1); and

(C) shall be based on information provided under subsection (b)(1) without substantive revision.

e chairman of the Committee on the Budget of the House of presentatives shall submit such reports to the Speaker.

c) Five-Year Projection of Congressional Budget Action.—As soon as practicable after the beginning of each fiscal year, the rector of the Congressional Budget Office shall issue a report ojecting for the period of 5 fiscal years beginning with such fiscal ar—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period;

(3) tax expenditures for each fiscal year in such period;

(4) entitlement authority for each fiscal year in such period; and

(5) credit authority for each fiscal year in such period.

HOUSE APPROVAL OF REGULAR APPROPRIATION BILLS

Sec. 309. It shall not be in order in the House of Representatives consider any resolution providing for an adjournment period of re than three calendar days during the month of July until the use of Representatives has approved annual appropriation bills oviding new budget authority under the jurisdiction of all the bcommittees of the Committee on Appropriations for the fiscal ar beginning on October 1 of such year. For purposes of this secn, the chairman of the Committee on Appropriations of the use of Representatives shall periodically advise the Speaker as changes in jurisdiction among its various subcommittees.

RECONCILIATION

Sec. 310. (a) Inclusion of Reconciliation Directives in Conrrent Resolutions on the Budget.—A concurrent resolution on e budget for any fiscal year to the extent necessary to effectuate e provisions and requirements of such resolution, shall—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years;

(C) new entitlement authority which is to become effective during such fiscal year; and

(D) credit authority for such fiscal year, contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amounts by which the statutory limit on the public debt is to be changed and direct the committee having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

(b) LEGISLATIVE PROCEDURE.—If a concurrent resolution containing directives to one or more committees to determine and recommend changes in laws, bills, or resolutions is agreed to in accordance with subsection (a), and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House reconciliation legislation containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations and submit such recommendations to the Committee on the Budget of its House, which, upon receiving all such recommendations, shall report to its House reconciliation legislation carrying out all such recommendations without any substantive revision.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(c) COMPLIANCE WITH RECONCILIATION DIRECTIONS.—Any committee of the House of Representatives or the Senate that is directed, pursuant to a concurrent resolution on the budget, to determine and recommend changes of the type described in paragraphs (1) and (2) of subsection (a) with respect to laws within its jurisdiction, shall be deemed to have complied with such directions—

(1) if—

(A) the amount of the changes of the type described in paragraph (1) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under such paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection, and

(B) the amount of the changes of the type described in paragraph (2) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under that paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection; and

(2) if the total amount of the changes recommended by such committee is not less than the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection.

(d) LIMITATION OF AMENDMENTS TO RECONCILIATION BILLS AND RESOLUTIONS.—

(1) It shall not be in order in the House of Representatives to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of increasing any specific budget outlays above the level of such outlays provided in the bill or resolution (for the fiscal years covered by the reconciliation instructions set forth in the most recently agreed to concurrent resolution on the budget), or would have the effect of reducing any specific Federal revenues below the level of such revenues provided in the bill or resolution (for such fiscal years), unless such amendment makes at least an equivalent reduction in other specific budget outlays, an equivalent increase in other specific Federal revenues, or an equivalent combination thereof (for such fiscal years), except that a motion to strike a provision providing new budget authority or new entitlement authority may be in order.

(2) It shall not be in order in the Senate to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of decreasing any specific budget outlay reductions below the level of such outlay reductions provided (for the fiscal years covered) in the reconciliation instructions which relate to such bill or resolution set forth in a resolution providing for reconciliation, or would have the effect of reducing Federal revenue increases below the level of such revenue increases provided (for such fiscal years) in such instructions relating to such bill or resolution, unless such amendment makes a reduction in other specific budget outlays, an increase in other specific Federal revenues, or a combination thereof (for such fiscal years) at least equivalent to any increase in outlays or decrease to revenues provided by such amendment, except that a motion to strike a provision shall always be in order.

(3) Paragraphs (1) and (2) shall not apply if a declaration of war by the Congress is in effect.

(4) For purposes of this section, the levels of budget outlays and Federal revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

(5) The Committee on Rules of the House of Representatives may make in order amendments to achieve changes specified by reconciliation directives contained in a concurrent resolution on the budget if a committee or committees of the House fail to submit recommended changes to its Committee on the Budget pursuant to its instruction.

(e) PROCEDURE IN THE SENATE.—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills reported under subsection (b) and conference reports thereon.

(2) Debate in the Senate on any reconciliation bill reported under subsection (b), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) COMPLETION OF RECONCILIATION PROCESS.—

(1) IN GENERAL.—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (b) not later than June 15 of each year.

(2) POINT OF ORDER IN THE HOUSE OF REPRESENTATIVES.—It shall not be in order in the House of Representatives to consider any resolution providing for an adjournment period of more than three calendar days during the month of July until the House of Representatives has completed action on the reconciliation legislation for the fiscal year beginning on October 1 of the calendar year to which the adjournment resolution pertains, if reconciliation legislation is required to be reported by the concurrent resolution on the budget for such fiscal year.

(g) LIMITATION ON CHANGES TO THE SOCIAL SECURITY ACT.—Notwithstanding any other provisions of law, it shall not be in order in the Senate or the House of Representatives to consider any reconciliation bill or reconciliation resolution reported pursuant to a concurrent resolution on the budget agreed to under section 301 or 304, or a resolution pursuant to section 254(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, or any amendment thereto or conference report thereon, that contains recommendations with respect to the old-age survivors, and disability insurance program established under title II of the Social Security Act.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

SEC. 311. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—Except as provided by subsection (b), after the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, providing new entitlement authority effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report,

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution or, in the Senate, would otherwise result in a deficit for such fiscal year that—

(A) for fiscal year 1989 or any subsequent fiscal year, exceeds the maximum deficit amount specified for such fiscal year in section 3(7); and

(B) for fiscal year 1988 or 1989, exceeds the amount of the estimated deficit for such fiscal year based on laws and regulations in effect on January 1 of the calendar year in which such fiscal year begins as measured using the budget baseline specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 minus $23,000,000,000 for fiscal year 1988 or $36,000,000,000 for fiscal year 1989;

except to the extent that paragraph (1) of section 301(i) or section 304(b), as the case may be, does not apply by reason of paragraph (2) of such subsection.[1]

(b) EXCEPTION IN THE HOUSE OF REPRESENTATIVES.—Subsection (a) shall not apply in the House of Representatives to any bill, resolution, or amendment which provides new budget authority or new entitlement authority effective during such fiscal year, or to any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report,

would not cause the appropriate allocation of new discretionary budget authority or new entitlement authority made pursuant to section 302(a) for such fiscal year, for the committee within whose jurisdiction such bill, resolution, or amendment falls, to be exceeded.

(c) DETERMINATION OF BUDGET LEVELS.—For purposes of this section, the levels of new budget authority, budget outlays, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

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[1] The portion of section 311(a) that begins with "or, in the Senate" and ends with "paragraph (2) of such subsection)" expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401. (a) CONTROLS ON LEGISLATION PROVIDING SPENDING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2) (A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, conference report, or amendment also provides that such new spending authority as described in subsection (c)(2) (A) or (B) is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day in which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this Act, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under chapter 31 of title 31 of the United States Code) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts;

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law;

(D) to forgo the collection by the United States of proprietary offsetting receipts, the budget authority for which is not provided in advance by appropriation Acts to offset such forgone receipts; and

(E) to make payments by the United States (including loans, grants, and payments from revolving funds) other than those covered by subparagraph (A), (B), (C), or (D), the budget authority for which is not provided in advance by appropriation Acts.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act, as of the date of enactment of the Balanced Budget and Emergency Deficit Control Act of 1985; or

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

LEGISLATION PROVIDING NEW CREDIT AUTHORITY

SEC. 402. (a) CONTROLS ON LEGISLATION PROVIDING NEW CREDIT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report, as reported to its House, or any amendment which provides new credit authority described in subsection (b)(1), unless that bill, resolution, conference report, or amendment also provides that such new credit authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) DEFINITION.—For purposes of this Act, the term "new credit authority" means credit authority (as defined in section 3(10) of this Act) not provided by law on the effective date of this section, including any increase in or addition to credit authority provided by law on such date.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

SEC. 403. (a) The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate;

(2) an estimate of the cost which would be incurred by State and local governments in carrying out or complying with any significant bill or resolution in the fiscal year in which it is to become effective and in each of the four fiscal years following such fiscal year, together with the basis for each such estimate;

(3) a comparison of the estimates of costs described in paragraphs (1) and (2), with any available estimates of costs made by such committee or by any Federal agency; and

(4) a description of each method for establishing a Federal financial commitment contained in such bill or resolution.

The estimates, comparison, and description so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

(b) For purposes of subsection (a)(2), the term "local government" has the same meaning as in section 103 of the Intergovernmental Cooperation Act of 1968.

(c) For purposes of subsection (a)(2), the term "significant bill or resolution" is defined as any bill or resolution which in the judgment of the Director of the Congressional Budget Office is likely to result in an annual cost to State and local governments of $200,000,000 or more, or is likely to have exceptional fiscal consequences for a geographic region or a particular level of government.

JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (e) and by inserting after paragraph (a) the following new paragraphs:

"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of the Act (but subject to the provisions of section 401(b)(3) of that Act)."

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

"(c) Committee on Appropriations, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

"4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

STUDY BY THE GENERAL ACCOUNTING OFFICE OF FORMS OF FEDERAL FINANCIAL COMMITMENT THAT ARE NOT REVIEWED ANNUALLY BY CONGRESS

SEC. 405. The General Accounting Office shall study those provisions of law which provide spending authority as described by section 401(c)(2) and which provide permanent appropriations, and report to the Congress its recommendations for the appropriate form of financing for activities or programs financed by such provisions not later than eighteen months after the effective date of this section. Such report shall be revised from time to time.

OFF-BUDGET AGENCIES, PROGRAMS, AND ACTIVITIES

SEC. 406. (a) Notwithstanding any other provision of law, budget authority, credit authority, and estimates of outlays and receipts for activities of the Federal budget which are off-budget immediately prior to the date of enactment of this section, not including activities of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, shall be included in a budget submitted pursuant to section 1105 of title 31, United States Code, and in a concurrent resolution on the budget reported pursuant to section 301 or section 304 of this Act and shall be considered, for purposes of this Act, budget authority, outlays, and spending authority in accordance with definitions set forth in this Act.

(b) All receipts and disbursements of the Federal Financing Bank with respect to any obligations which are issued, sold, or guaranteed by a Federal agency shall be treated as a means of financing such agency for purposes of section 1105 of title 31, United States Code, and for purposes of this Act.

MEMBER USER GROUP

SEC. 407. The Speaker of the House of Representatives, after consulting with the Minority Leader of the House, may appoint a Member User Group for the purpose of reviewing budgetary scorekeeping rules and practices of the House and advising the Speaker from time to time on the effect and impact of such rules and practices.

APPENDIX C

Budget Act Points of Order in the Senate

BUDGET ACT POINTS OF ORDER IN THE SENATE

Section	Description	Waiver requirement	Application
301(i)	Prohibits consideration of budget resolution, amendments thereto, or conference report thereon, that contains deficit in excess of maximum deficit amount. (also applies to revised budget resolution via sec. 304(b)).	Three-fifths	Budget resolution. Amendments. Conference report.
302(c)	Prohibits consideration of a committee's legislation until that committee has filed its sec. 302(b) report	Three-fifths	Bill. Resolution. Amendments.
302(f)(2)	Prohibits consideration of legislation providing budget authority or outlays in excess of committee's sec. 302(b) report.	Three-fifths	Bill. Resolution. Amendments. Conference report.
303(a)	Prohibits legislation providing new budget authority, change in revenues, change in public debt, new entitlement authority, or new credit authority for a fiscal year until the budget resolution for that year has been agreed to.	Majority	Bill. Resolution. Amendments. Conference report (by precedent of Apr. 10, 1978).
304(b)	See section 301(i)	Three-fifths	Revised Budget Resolution. Amendments. Conference report.
305(b)(2)	Prohibits nongermane amendments to budget resolution (also applies to reconciliation bills via sec. 310(e)(1)).	Three-fifths	Amendments.
305(e)	Prohibits consideration of budget resolution, or conference report thereon, that is not mathematically consistent.	Majority	Budget resolution. Conference report.
306	Prohibits consideration of legislation within Budget Committee's jurisdiction, unless the Budget Committee reported it.	Three-fifths	Bill. Resolution. Amendments.
310(d)(2)	Prohibits amendments to reconciliation bills that are not deficit neutral.	Three-fifths	Amendments.
310(e)(1)	See section 305(b)(2)	Three-fifths	Amendments.
310(g)	Prohibits consideration of reconciliation legislation that recommends changes in social security.	Three-fifths	Bill. Resolution. Amendments. Conference report.
311(a)	Prohibits consideration of legislation that would exceed outlay ceiling or revenue floor, or would cause deficit to exceed maximum deficit amount.	Three-fifths	Bill. Resolution. Amendments. Conference report.

Section	Description	Waiver requirement	Application
401(a)	Prohibits consideration of legislation providing new contract authority or new borrowing authority that is not limited to appropriations.	Majority	Bill. Resolution. Amendments. Conference report.
401(b)(1)	Prohibits consideration of legislation providing new entitlement authority that becomes effective during the fiscal year that ends in the calendar year in which the bill is reported.	Majority	Bill. Resolution. Amendments.
402	Prohibits consideration of legislation providing new credit authority that is not limited to appropriations	Majority	Bill. Resolution. Amendments. Conference report.

APPENDIX D

Tax Expenditures by Function (Excerpt From Special Analysis G of the Budget of the United States Government for Fiscal Year 1990)

Table G–1. **ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX**

(In millions of dollars)

Description	Fiscal years					
	Outlay Equivalem			Revenue Loss		
	1988	1989	1990	1988	1989	1990
National defense:						
Exclusion of benefits and allowances to armed forces personnel	2,210	2,215	2,300	1,890	1,900	1,975
International affairs:						
Exclusion of income earned abroad by United States citizens	1,665	1,785	1,910	1,220	1,305	1,395
Exclusion of income of foreign sales corporations (FSC)	730	645	690	460	425	455
Inventory property sales source rules exception	4,130	4,415	4,725	2,625	2,915	3,120
Certain nonfinancial institutions operations interest allocation rules exception	60	95	100	40	60	65
Deferral of income from controlled foreign corporations:						
Pre-1983 budget method	110	100	105	110	100	105
Post-1982 budget method	....	....	....	....	....	....
General science, space, and technology:						
Expensing of research and development expenditures:						
Pre-1983 budget method	865	1,190	1,285	865	1,190	1,285
Post-1982 budget method	....	....	....	....	....	....
Credit for increasing research activities	1,240	1,340	1,445	900	970	1,045
Suspension of the allocation of research and experimentation expenditures	320	....	....	210	....	....
Energy:						
Expensing of exploration and development costs:						
Oil and gas	–385	–15	150	–385	–15	150
Other fuels	35	35	35	35	35	35
Excess of percentage over cost depletion:						
Oil and gas	680	490	480	450	345	350
Other fuels	215	210	220	135	135	145
Capital gains treatment of royalties on coal	*	....	....	*	....	....
Exclusion of interest on State and local industrial development bonds for certain energy facilities	385	400	410	290	280	285
Alternative, conservation and new technology credits:						
Supply incentives	95	35	20	80	30	20
Conservation incentives	–*	–*	....	–*	–*	....
Alternative fuel production credit	15	15	15	10	10	10
Alcohol fuel credit [1]	10	10	10	5	5	5
Energy credit for intercity buses	–*	–*	–*	–*	–*	–*
Special rules for mining reclamation reserves	45	45	50	45	45	50
Exception from passive loss limitation for working interests in oil and gas properties	75	70	75	55	55	60
Natural resources and environment:						
Expensing of exploration and development costs, nonfuel minerals	35	40	40	35	40	40
Excess of percentage over cost depletion, nonfuel minerals	330	315	330	230	235	250
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	2,150	2,215	2,305	1,635	1,555	1,620
Tax incentives for preservation of historic structures	150	140	135	150	140	135
Capital gains treatment of iron ore	*	....	....	*	....	....

Table G-1. **ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Outlay Equivalent			Revenue Loss		
	1988	1989	1990	1988	1989	1990
Capital gains treatment of certain timber income	*	....	....	*	....	....
Expensing of multiperiod timber growing costs	270	310	360	270	310	360
Investment credit and seven-year amortization for reforestation expenditures	210	210	215	205	205	205
Agriculture:						
Expensing of certain capital outlays	525	505	495	525	505	495
Expensing of certain multiperiod production costs	5	85	180	5	85	180
Treatment of loans forgiven solvent farmers as if insolvent	10	10	10	10	10	10
Capital gains treatment of certain income	*	....	....	*	....	....
Deferral of drought-related payments	....	190	-125	....	190	-125
Commerce and housing credit:						
Exemption of credit union income	275	295	315	190	200	215
Excess bad debt reserves of financial institutions	120	65	35	80	45	25
Special merger rules for financial institutions	1,225	2,145	2,320	885	1,555	1,680
Exclusion of interest on life insurance savings	7,260	7,940	8,740	5,410	5,560	6,115
Special alternative tax on small property and casualty insurance companies	85	120	120	65	70	70
Tax exemption of certain insurance companies	20	25	25	15	15	15
Small property and casualty insurance company deduction	20	45	40	15	35	25
Small life insurance company deduction	80	85	85	55	60	60
Exemption of RIC expenses from miscellaneous deduction floor	285	345	415	220	260	315
Deductibility of interest on consumer credit	6,530	3,280	1,740	6,530	3,280	1,740
Exclusion of interest on small issue industrial development bonds	3,435	3,475	3,335	2,705	2,510	2,405
Exclusion of interest on State and local mortgage bonds for owner-occupied housing	2,375	2,360	2,230	1,765	1,640	1,570
Exclusion of interest on State and local debt for rental housing	1,650	1,630	1,720	1,235	1,135	1,180
Deductibility of mortgage interest on owner-occupied homes	33,675	32,180	35,110	33,675	32,180	35,110
Deductibility of property tax on owner-occupied homes	10,100	10,410	11,765	10,100	10,410	11,765
Deferral of income from post 1987 installment sales	260	670	735	260	670	735
Capital gains (other than agriculture, timber, iron ore and coal):						
Pre-1983 budget method	265	....	....	210	....	....
Post-1982 budget method	....	....	....	....	....	....
Deferral of capital gains on home sales	3,700	3,910	4,110	3,700	3,910	4,110
Exclusion of capital gains on home sales for persons age 55 and over	3,835	4,195	4,250	2,940	3,190	3,230
Carryover basis of capital gains at death	16,030	17,310	18,695	11,540	12,465	13,460
Carryover basis of capital gains on gifts	70	75	85	70	75	85
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	11,785	8,355	5,255	9,150	6,530	4,305
Accelerated depreciation on rental housing:						
Pre-1983 budget method	440	540	660	300	370	460
Post-1982 budget method	....	....	....	....	....	....

Table G–1. **ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Outlay Equivalent			Revenue Loss		
	1988	1989	1990	1988	1989	1990
Accelerated depreciation of buildings other than rental housing:						
Pre-1983 budget method	510	620	780	350	420	530
Post-1982 budget method	....	....	....	....	....	....
Accelerated depreciation of machinery and equipment:						
Pre-1983 budget method	35,000	48,300	53,300	23,700	30,600	35,900
Post-1982 budget method	....	....	....	....	....	....
Safe harbor leasing rules	660	535	480	690	550	490
Amortization of start-up costs	245	230	245	185	170	180
Reduced rates on the first $100,000 of corporate income:						
Pre-1983 budget method	4,200	4,470	5,275	2,815	2,855	3,410
Post-1982 budget method	....	....	....	....	....	....
Exception from the passive loss rules for $25,000 of rental losses	1,480	1,370	1,535	1,145	1,060	1,190
Treatment of Alaska Native Corporations	400	700	240	400	700	240
Permanent exceptions from imputed interest rules	175	140	160	130	110	125
Transportation:						
Deferral of tax on shipping companies	115	120	125	115	120	125
Exclusion of interest on State and local government bonds for mass commuting vehicles	50	40	20	10	*	*
Community and regional development:						
Five-year amortization for housing rehabilitation	45	40	40	45	40	40
Credit for low-income housing investments	260	650	1,050	160	390	635
Investment credit for rehabilitation of structures (other than historic)	165	130	115	165	130	115
Exclusion of interest on IDBs for airports, docks and sports and convention facilities	960	1,000	1,040	725	695	720
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income:						
Pre-1983 budget method	625	685	720	570	625	720
Post-1982 budget method	....	....	....	....	....	....
Exclusion of interest on State and local student loan bonds	385	390	405	355	330	345
Exclusion of interest on State and local debt for private nonprofit educational facilities	320	315	330	250	225	235
Parental personal exemption for students age 19 or over	460	435	450	415	395	405
Exclusion of interest on savings bonds transferred to educational institutions	....	....	20	....	....	15
Deductibility of charitable contributions (education)	1,730	1,700	1,815	1,565	1,530	1,635
Exclusion of employer provided educational assistance	80	160	....	60	130	....
Exclusion of employer provided child care	135	160	205	105	120	155
Exclusion of employee meals and lodging (other than military)	760	790	830	685	715	750
Exclusion of contributions to prepaid legal services plans	15	40	....	10	35	....
Investment credit for ESOPs	290	185	100	230	145	85
Credit for child and dependent care expenses	4,390	4,515	4,740	3,390	3,495	3,595
Targeted jobs credit	260	320	280	260	320	280

Table G-1. **ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Outlay Equivalent			Revenue Loss		
	1988	1989	1990	1988	1989	1990
Expensing of costs of removing certain architectural barriers to the handicapped	20	20	20	20	20	20
Deductibility of charitable contributions, other than education and health	10,725	10,415	11,140	10,515	10,205	10,915
Exclusion of certain foster care payments	25	25	25	20	20	20
Exclusion of parsonage allowances	200	215	240	160	175	195
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care	31,055	34,820	37,255	24,690	27,650	29,585
Exclusion of untaxed Medicare benefits	5,415	5,985	6,745	5,415	5,985	6,745
Deductibility of medical expenses	1,960	2,155	2,325	1,960	2,155	2,325
Exclusion of interest on State and local debt for private nonprofit health facilities	2,870	2,850	3,025	2,230	2,025	2,190
Deductibility of charitable contributions (health)	1,505	1,475	1,555	1,405	1,370	1,445
Tax credit for orphan drug research	*	*	*	*	*	*
Special Blue Cross/Blue Shield deduction	20	140	65	15	100	45
Income security:						
Exclusion of railroad retirement system benefits	385	370	390	385	370	390
Exclusion of workmen's compensation benefits	2,910	2,845	3,070	2,910	2,845	3,070
Exclusion of public assistance benefits:						
Pre-1983 budget method	380	340	345	380	340	345
Post-1982 budget method	.....	.....	.....	.....	.....	.....
Exclusion of special benefits for disabled coal miners	115	110	110	115	110	110
Exclusion of military disability pensions	100	100	105	100	100	105
Net exclusion of pension contributions and earnings:						
Employer plans	59,210	61,065	65,410	44,180	46,050	49,300
Individual Retirement Accounts	11,725	11,590	12,540	8,820	8,860	9,590
Keogh plans	2,315	1,670	1,850	1,655	1,290	1,430
Exclusion of income earned by voluntary employee-beneficiary associations	425	410	445	360	350	380
Exclusion of employer provided death benefits	25	25	25	20	20	20
Exclusion of other employee benefits:						
Premiums on group term life insurance	2,395	2,550	2,730	1,940	2,065	2,210
Premiums on accident and disability insurance	160	165	170	120	125	130
Income of trusts to finance supplementary unemployment benefits	30	30	30	30	30	30
Special ESOP rules (other than investment credit)	220	285	345	155	200	245
Additional deduction for the blind	15	15	15	15	15	15
Additional deduction for the elderly	1,535	1,155	1,140	1,535	1,155	1,140
Tax credit for the elderly and disabled	225	240	255	200	220	240
Deductibility of casualty losses	265	265	280	265	265	280
Earned income credit [2]	1,075	1,640	2,140	955	1,395	1,815
Social Security:						
Exclusion of social security benefits:						
OASI benefits for retired workers	13,425	13,465	14,105	13,425	13,465	14,105
Disability insurance benefits	1,095	1,085	1,125	1,095	1,085	1,125
Benefits for dependents and survivors	2,840	2,870	3,010	2,840	2,870	3,010
Veterans benefits and services:						
Exclusion of veterans disability compensation	1,505	1,450	1,495	1,505	1,450	1,495
Exclusion of veterans pensions	85	80	80	85	80	80
Exclusion of GI bill benefits	70	60	50	70	60	50

Table G-1. **ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Outlay Equivalent			Revenue Loss		
	1988	1989	1990	1988	1989	1990
Exclusing of interest on state and local debt for veterans housing	355	350	380	250	230	235
General government:						
Exclusion of interest on public purpose State and local debt	14,410	15,440	15,965	10,350	10,290	10,730
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	17,250	17,305	18,690	17,250	17,305	18,690
Tax credit for corporations receiving income from doing business in United States possessions	2,870	2,795	3,070	1,810	1,845	2,030
Interest:						
Deferral of interest on savings bonds	885	905	995	885	905	995

* $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $480 million in 1988, $430 million in 1989; and $420 million in 1990.

[2] The figures in the table indicate the tax subsidies provided by the earned income tax credit. The effect on outlays is: 1988, $2,695 million; 1989, $3,850 million; 1990, $3,700 million.

Table G-2. **OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
National defense:						
Exclusion of benefits and allowances to armed forces personnel				2,210	2,215	2,300
International affairs:						
Exclusion of income earned abroad by United States citizens				1,665	1,785	1,910
Exclusion of income of foreign sales corporations (FSC)	730	645	690			

Table G–2. **OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Inventory property sales source rules exception	4,130	4,415	4,725	....	....	....
Certain nonfinancial institutions operations interest allocation rules exception	60	95	100	....	....	....
Deferral of income from controlled foreign corporations:						
Pre-1983 budget method	110	100	105	....	....	....
Post-1982 budget method	....	....	....	....	....	....
Total (after interactions)	5,030	5,255	5,620	1,665	1,785	1,910
General science, space, and technology:						
Expensing of research and development expenditures:						
Pre-1983 budget method	830	1,145	1,235	35	45	50
Post-1982 budget method	....	....	....	....	....	....
Credit for increasing research activities	1,220	1,320	1,425	20	20	20
Suspension of the allocation of research and experimentation expenditures	320	....	....	....	....	....
Total (after interactions)	2,575	2,710	2,925	60	70	75
Energy:						
Expensing of exploration and development costs:						
Oil and gas	–840	–580	–455	455	565	605
Other fuels	35	35	35	....	....	....
Excess of percentage over cost depletion:						
Oil and gas	120	95	95	560	395	385
Other fuels	200	195	205	15	15	15
Capital gains treatment of royalties on coal	*	....	....	*	....	....
Exclusion of interest on State and local industrial development bonds for certain energy facilities	385	400	410	....	....	....
Alternative, conservation and new technology credits:						
Supply incentives	95	35	20	....	....	....
Conservation incentives	–*	–*	–*	....	....	....
Alternative fuel production credit	15	15	15	*	*	*
Alcohol fuel credit [1]	10	10	10	*	*	*
Energy credit for intercity buses	–*	–*	–*	....	....	....
Special rules for mining reclamation reserves	40	40	45	5	5	5
Exception from passive loss limitation for working interests in oil and gas properties	....	....	....	75	70	75
Total (after interactions)	45	175	270	785	745	770
Natural resources and environment:						
Expensing of exploration and development costs, nonfuel minerals	30	35	35	5	5	5
Excess of percentage over cost depletion, nonfuel minerals	305	295	310	25	20	20
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	2,150	2,215	2,305	....	....	....
Tax incentives for preservation of historic structures	50	50	45	100	90	90
Capital gains treatment of iron ore	*	....	....	*	....	....
Capital gains treatment of certain timber income	*	....	....	*	....	....
Expensing of multiperiod timber growing costs	160	180	205	110	130	155
Investment credit and seven-year amortization for reforestation expenditures	40	40	40	170	170	175

Table G-2. **OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Total (after interactions)	2,680	2,760	2,880	400	405	440
Agriculture:						
Expensing of certain capital outlays	65	60	60	460	445	435
Expensing of certain multiperiod production costs	*	35	60	5	50	120
Treatment of loans forgiven solvent farmers as if insolvent	....	....	....	10	10	10
Capital gains treatment of certain income	*	....	....	*	....	....
Deferral of drought-related payments	....	25	-15	....	165	-110
Total (after interactions)	65	120	105	440	625	425
Commerce and housing credit:						
Exemption of credit union income	275	295	315	....	....	....
Excess bad debt reserves of financial institutions	120	65	35	....	....	....
Special merger rules for financial institutions	1,225	2,145	2,320	....	....	....
Exclusion of interest on life insurance savings	460	455	505	6,800	7,485	8,235
Special alternative tax on small property and casualty insurance companies	85	120	120	....	....	....
Tax exemption of certain insurance companies	20	25	25	....	....	....
Small property and casualty insurance company deduction	20	45	40	....	....	....
Small life insurance company deduction	80	85	85	....	....	....
Exemption of RIC expenses from miscellaneous deduction floor	....	....	....	285	345	415
Deductibility of interest on consumer credit	....	....	....	6,530	3,280	1,740
Exclusion of interest on small issue industrial development bonds	3,435	3,475	3,335	....	....	....
Exclusion of interest on State and local mortgage bonds for owner-occupied housing	....	....	....	2,375	2,360	2,230
Exclusion of interest on State and local debt for rental housing	....	....	....	1,650	1,630	1,720
Deductibility of mortgage interest on owner-occupied homes	....	....	....	33,675	32,180	35,110
Deductibility of property tax on owner-occupied homes	....	....	....	10,100	10,410	11,765
Deferral of income from post 1987 installment sales	100	170	185	160	500	550
Capital gains (other than agriculture, timber, iron ore and coal)						
Pre-1983 budget method	*	....	....	265	....	....
Post-1982 budget method	....	....	....	....	....	....
Deferral of capital gains on home sales	....	....	....	3,700	3,910	4,110
Exclusion of capital gains on home sales for persons age 55 and over	....	....	....	3,835	4,195	4,250
Carryover basis of capital gains at death	....	....	....	16,030	17,310	18,695
Carryover basis of capital gains on gifts	....	....	....	70	75	85
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	10,330	7,405	4,740	1,455	950	515
Accelerated depreciation on rental housing:						
Pre-1983 budget method	260	320	400	180	220	260
Post-1982 budget method	....	....	....	....	....	....
Accelerated depreciation of buildings other than rental housing:						
Pre-1983 budget method	350	420	540	160	200	240

Table G–2. **OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Post-1982 budget method						
Accelerated depreciation of machinery and equipment:						
Pre-1983 budget method	26,000	36,500	40,500	9,000	11,800	12,800
Post-1982 budget method						
Safe harbor leasing rules	660	535	480			
Amortization of start-up costs	30	30	30	215	200	215
Reduced rates on the first $100,000 of corporate income:						
Pre-1983 budget method	4,200	4,470	5,275			
Post-1982 budget method						
Exception from the passive loss rules for $25,000 of rental losses				1,480	1,370	1,535
Treatment of Alaska Native Corporations	400	700	240			
Permanent exceptions from imputed interest rules	*	*	*	175	140	160
Total (after interactions)	48,050	57,260	59,170	95,195	95,600	101,490
Transportation:						
Deferral of tax on shipping companies	115	120	125			
Exclusion of interest on State and local government bonds for mass commuting vehicles	50	40	20			
Total (after interactions)	165	160	145			
Community and regional development:						
Five-year amortization for housing rehabilitation	15	15	15	30	25	25
Credit for low-income housing investments	35	110	220	225	540	830
Investment credit for rehabilitation of structures (other than historic)	90	75	70	75	55	45
Exclusion of interest on IDBs for airports, docks and sports and convention facilities	960	1,000	1,040			
Total (after interactions)	1,100	1,200	1,345	320	600	875
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income:						
Pre-1983 budget method				625	685	720
Post-1982 budget method						
Exclusion of interest on State and local student loan bonds				385	390	405
Exclusion of interest on State and local debt for private nonprofit educational facilities	320	315	330			
Exclusion of interest on savings bonds transferred to educational intstitutions					*	20
Parental personal exemption for students age 19 or over				460	435	450
Deductibility of charitable contributions (education)	635	640	680	1,095	1,060	1,135
Exclusion of employer provided educational assistance				80	160	
Total education (after interactions)	955	955	1,010	2,685	2,770	2,770
Exclusion of employer provided child care				135	160	205
Exclusion of employee meals and lodging (other than military)				760	790	830
Exclusion of contributions to prepaid legal services plans				15	40	
Investment credit for ESOPs	290	185	100			

Table G–2. **OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Credit for child and dependent care expenses				4,390	4,515	4,740
Targeted jobs credit	215	285	250	45	35	30
Total training and employment (after interactions)	505	470	350	5,425	5,625	5,890
Expensing of costs of removing certain architectural barriers to the handicapped	15	15	15	5	5	5
Deductibility of charitable contributions, other than education and health	790	795	845	9,935	9,620	10,295
Exclusion of certain foster care payments				25	25	25
Exclusion of parsonage allowances				200	215	240
Total social services, (after interactions)	805	810	860	10,315	10,015	10,725
Grand total (after interactions)	2,265	2,235	2,220	18,425	18,410	19,385
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care				31,055	34,820	37,255
Exclusion of untaxed Medicare benefits				5,415	5,985	6,745
Deductibility of medical expenses				1,960	2,155	2,325
Exclusion of interest on State and local debt for private nonprofit health facilities	2,870	2,850	3,025			
Deductibility of charitable contributions (health)	390	395	415	1,115	1,080	1,140
Tax credit for orphan drug research	*	*	*			
Special Blue Cross/Blue Shield deduction	20	140	65			
Total (after interactions)	3,280	3,385	3,505	39,545	44,040	47,465
Income security:						
Exclusion of railroad retirement system benefits				385	370	390
Exclusion of workmen's compensation benefits				2,910	2,845	3,070
Exclusion of public assistance benefits:						
Pre-1983 budget method				380	340	345
Post-1982 budget method						
Exclusion of special benefits for disabled coal miners				115	110	110
Exclusion of military disability pensions				100	100	105
Net exclusion of pension contributions and earnings:						
Employer plans				59,210	61,065	65,410
Individual Retirement Accounts				11,725	11,590	12,540
Keogh plans				2,315	1,670	1,850
Exclusion of income earned by voluntary employee-beneficiary associations				425	410	445
Exclusion of employer provided death benefits				25	25	25
Exclusion of other employee benefits:						
Premiums on group term life insurance				2,395	2,550	2,730
Premiums on accident and disability insurance				160	165	170
Income of trusts to finance supplementary unemployment benefits				30	30	30
Special ESOP rules (other than investment credit)	200	265	320	20	20	25
Additional deduction for the blind				15	15	15
Additional deduction for the elderly				1,535	1,155	1,140
Tax credit for the elderly and disabled				225	240	255
Deductibility of casualty losses				265	265	280
Earned income credit[2]				1,075	1,540	2,140
Total (after interactions)				81,645	82,915	89,255

Table G-2. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Social Security:						
Exclusion of social security benefits:						
OASI benefits for retired workers	....	....	....	13,425	13,465	14,105
Disability insurance benefits	....	....	....	1,095	1,085	1,125
Benefits for dependents and survivors	....	....	....	2,840	2,870	3,010
Total (after interactions)	....	....	....	17,360	17,420	18,240
Veterans benefits and services:						
Exclusion of veterans disability compensation	....	....	....	1,505	1,450	1,495
Exclusion of veterans pensions	....	....	....	85	80	80
Exclusion of GI bill benefits	....	....	....	70	60	50
Exclusing of interest on state and local debt for veterans housing	....	....	....	355	350	380
Total (after interactions)	....	....	....	2,015	1,940	2,005
General government:						
Exclusion of interest on public purpose State and local debt	2,375	2,530	2,425	12,035	12,910	13,540
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	....	....	....	17,250	17,305	18,690
Tax credit for corporations receiving income from doing business in United States possessions	2,870	2,795	3,070	....	....	....
Total (after interactions)	5,245	5,325	5,495	29,285	30,215	32,230
Interest:						
Deferral of interest on savings bonds	....	....	....	885	905	995

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* $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $480 million in 1988; $430 million in 1989; and $420 million in 1990.

[2] The figures in the table indicate the tax subsidies provided by the earned income tax credit. The effect on outlays is: 1988, $2,695 million; 1989, $3,850 million; 1990, $3,700 million.

Table G–3. **REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
National defense:						
Exclusion of benefits and allowances to armed forces personnel	....	....	....	1,890	1,900	1,975
International affairs:						
Exclusion of income earned abroad by United States citizens	....	....	....	1,220	1,305	1,395
Exclusion of income of foreign sales corporations (FSC)	460	425	455	....	....	....
Inventory property sales source rules exception	2,625	2,915	3,120	....	....	....
Certain nonfinancial institutions operations interest allocation rules exception	40	60	65	....	....	....
Deferral of income from controlled foreign corporations:						
Pre-1983 budget method	110	100	105	....	....	....
Post-1982 budget method	....	....	....	....	....	....
General science, space, and technology:						
Expensing of research and development expenditures:						
Pre-1983 budget method	830	1,145	1,235	35	45	50
Post-1982 budget method	....	....	....	....	....	....
Credit for increasing research activities	885	955	1,030	15	15	15
Suspension of the allocation of research and experimentation expenditures	210	....	....	....	....	....
Energy:						
Expensing of exploration and development costs:						
Oil and gas	–840	–580	–455	455	565	605
Other fuels	35	35	35	....	....	....
Excess of percentage over cost depletion:						
Oil and gas	80	65	70	370	280	280
Other fuels	125	125	135	10	10	10
Capital gains treatment of royalties on coal	*	....	....	*	....	....
Exclusion of interest on State and local industrial development bonds for certain energy facilities	290	280	285	....	....	....
Alternative, conservation and new technology credits:						
Supply incentives	80	30	20	....	....	....
Conservation incentives	–*	–*	–*	....	....	....
Alternative fuel production credit	10	10	10	*	*	*
Alcohol fuel credit [1]	5	5	5	*	*	*
Energy credit for intercity buses	–*	–*	–*	....	....	....
Special rules for mining reclamation reserves	40	40	45	5	5	5
Exception from passive loss limitation for working interests in oil and gasproperties	....	....	....	55	55	60
Natural resources and environment:						
Expensing of exploration and development costs, nonfuel minerals	30	35	35	5	5	5
Excess of percentage over cost depletion, nonfuel minerals	215	220	235	15	15	15
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	1,635	1,555	1,620	....	....	....
Tax incentives for preservation of historic structures	50	50	45	100	90	90
Capital gains treatment of iron ore	*	....	....	*	....	....

Table G–3. **REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Capital gains treatment of certain timber income	*	....	....	*	....	....
Expensing of multiperiod timber growing costs	160	180	205	110	130	155
Investment credit and seven-year amortization for reforestation expenditures	40	40	35	165	165	170
Agriculture:						
Expensing of certain capital outlays	65	60	60	460	445	435
Expensing of certain multiperiod production costs	*	35	60	5	50	120
Treatment of loans forgiven solvent farmers as if insolvent	....	....	....	10	10	10
Capital gains treatment of certain income	*	....	....	*	....	....
Deferral of drought-related payments	....	25	-15	....	165	-110
Commerce and housing credit:						
Exemption of credit union income	190	200	215	....	....	....
Excess bad debt reserves of financial institutions	80	45	25	....	....	....
Special merger rules for financial institutions	885	1,555	1,680	....	....	....
Exclusion of interest on life insurance savings	310	320	350	5,100	5,240	5,765
Special alternative tax on small property and casualty insurance companies	65	70	70	....	....	....
Tax exemption of certain insurance companies	15	15	15	....	....	....
Small property and casualty insurance company deduction	15	35	25	....	....	....
Small life insurance company deduction	55	60	60	....	....	....
Exemption of RIC expenses from miscellaneous deduction floor	....	....	....	220	260	315
Deductibility of interest on consumer credit	....	....	....	6,530	3,280	1,740
Exclusion of interest on small issue industrial development bonds	2,705	2,510	2,405	....	....	....
Exclusion of interest on State and local mortgage bonds for owner-occupied housing	....	....	....	1,765	1,640	1,570
Exclusion of interest on State and local debt for rental housing	1,235	1,135	1,180	....	....	....
Deductibility of mortgage interest on owner-occupied homes	....	....	....	33,675	32,180	35,110
Deductibility of property tax on owner-occupied homes	....	....	....	10,100	10,410	11,765
Deferral of income from post 1987 installment sales	100	170	185	160	500	550
Capital gains (other than agriculture, timber, iron ore and coal)						
Pre-1983 budget method	*	....	....	210	....	....
Post-1982 budget method	....	....	....	....	....	....
Deferral of capital gains on home sales	....	....	....	3,700	3,910	4,110
Exclusion of capital gains on home sales for persons age 55 and over	....	....	....	2,940	3,190	3,230
Carryover basis of capital gains at death	....	....	....	11,540	12,465	13,460
Carryover basis of capital gains on gifts	....	....	....	70	75	85
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	7,950	5,735	3,815	1,200	795	490
Accelerated depreciation on rental housing:						
Pre-1983 budget method	170	210	270	130	160	190
Post-1982 budget method	....	....	....	....	....	....

Table G–3. **REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Accelerated depreciation of buildings other than rental housing:						
Pre-1983 budget method	230	280	360	120	140	170
Post-1982 budget method	....	....	....	....	....	....
Accelerated depreciation of machinery and equipment:						
Pre-1983 budget method	17,200	22,100	26,700	6,500	8,500	9,200
Post-1982 budget method	....	....	....	....	....	....
Safe harbor leasing rules	690	550	490	....	....	....
Amortization of start-up costs	20	20	20	165	150	160
Reduced rates on the first $100,000 of corporate income:						
Pre-1983 budget method	2,815	2,855	3,410	....	....	....
Post-1982 budget method	....	....	....	....	....	....
Exception from the passive loss rules for $25,000 of rental losses	....	....	....	1,145	1,060	1,190
Treatment of Alaska Native Corporations	400	700	240	....	....	....
Permanent exceptions from imputed interest rules	*	*	*	130	110	125
Transportation:						
Deferral of tax on shipping companies	115	120	125	....	....	....
Exclusion of interest on State and local government bonds for mass commuting vehicles	10	*	*	....	....	....
Community and regional development:						
Five-year amortization for housing rehabilitation	15	15	15	30	25	25
Credit for low-income housing investments	20	60	125	140	330	510
Investment credit for rehabilitation of structures (other than historic)	90	75	70	75	55	45
Exclusion of interest on IDBs for airports, docks and sports and convention facilities	725	695	720	....	....	....
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income:						
Pre-1983 budget method	....	....	....	570	625	655
Post-1982 budget method	....	....	....	....	....	....
Exclusion of interest on State and local student loan bonds	....	....	....	355	330	345
Exclusion of interest on State and local debt for private nonprofit educational facilities	....	....	....	250	225	235
Exclusion of interest on savings bonds transferred to educational institutions	....	....	....	....	*	15
Parental personal exemption for students age 19 or over	....	....	....	415	395	405
Deductibility of charitable contributions (education)	470	470	500	1,095	1,060	1,135
Exclusion of employer provided educational assistance	....	....	....	60	130	....
Exclusion of employer provided child care	....	....	....	105	120	155
Exclusion of employee meals and lodging (other than military)	....	....	....	685	715	750
Exclusion of contributions to prepaid legal services plans	....	....	....	10	35	....
Investment credit for ESOPs	230	145	85	....	....	....
Credit for child and dependent care expenses	....	....	....	3,390	3,495	3,595
Targeted jobs credit	215	285	250	45	35	30

Table G–3. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Expensing of costs of removing certain architectural barriers to the handicapped	15	15	15	5	5	5
Deductibility of charitable contributions, other than education and health	580	585	620	9,935	9,620	10,295
Exclusion of certain foster care payments	......	......	......	20	20	20
Exclusion of parsonage allowances	......	......	......	160	175	195
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care	......	......	......	24,690	27,650	29,585
Exclusion of untaxed Medicare benefits	......	......	......	5,415	5,985	6,745
Deductibility of medical expenses	......	......	......	1,960	2,155	2,325
Exclusion of interest on State and local debt for private nonprofit health facilities	......	......	......	2,230	2,025	2,190
Deductibility of charitable contributions (health)	290	290	305	1,115	1,080	1,140
Tax credit for orphan drug research	*	*	*	......	......	......
Special Blue Cross/Blue Shield deduction	15	100	45	......	......	......
Income security:						
Exclusion of railroad retirement-system benefits	......	......	......	385	370	390
Exclusion of workmen's compensation benefits	......	......	......	2,910	2,845	3,070
Exclusion of public assistance benefits:						
Pre-1983 budget method	......	......	......	380	340	345
Post-1982 budget method	......	......	......	......	......	......
Exclusion of special benefits for disabled coal miners	......	......	......	115	110	110
Exclusion of military disability pensions	......	......	......	100	100	105
Net exclusion of pension contributions and earnings:						
Employer plans	......	......	......	44,180	46,050	49,300
Individual Retirement Accounts	......	......	......	8,820	8,860	9,590
Keogh plans	......	......	......	1,655	1,290	1,430
Exclusion of income earned by voluntary employee-beneficiary associations	......	......	......	360	350	380
Exclusion of employer provided death benefits	......	......	......	20	20	20
Exclusion of other employee benefits:						
Premiums on group term life insurance	......	......	......	1,940	2,065	2,210
Premiums on accident and disability insurance	......	......	......	120	125	130
Income of trusts to finance supplementary unemployment benefits	......	......	......	30	30	30
Special ESOP rules (other than investment credit)	140	185	225	15	15	20
Additional deduction for the blind	......	......	......	15	15	15
Additional deduction for the elderly	......	......	......	1,535	1,155	1,140
Tax credit for the elderly and disabled	......	......	......	200	220	240
Deductibility of casualty losses	......	......	......	265	265	280
Earned income credit [2]	......	......	......	955	1,395	1,815
Social Security:						
Exclusion of social security benefits:						
OASI benefits for retired workers	......	......	......	13,425	13,465	14,105
Disability insurance benefits	......	......	......	1,095	1,085	1,125
Benefits for dependents and survivors	......	......	......	2,840	2,870	3,010
Veterans benefits and services:						
Exclusion of veterans disability compensation	......	......	......	1,505	1,450	1,495
Exclusion of veterans pensions	......	......	......	85	80	80
Exclusion of GI bill benefits	......	......	......	70	60	50

Table G–3. **REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1988	1989	1990	1988	1989	1990
Exclusing of interest on state and local debt for veterans housing				250	230	235
General government:						
Exclusion of interest on public purpose State and local debt	1,890	1,930	1,850	8,460	8,360	8,880
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes				17,250	17,305	18,690
Tax credit for corporations receiving income from doing business in United States possessions	1,810	1,845	2,030			
Interest:						
Deferral of interest on savings bonds				885	905	995

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* $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $480 million in 1988; $430 million in 1989; and $420 million in 1990.

[2] The figures in the table indicate the tax subsidies provided by the earned income tax credit. The effect on outlays is: 1988, $2,695 million; 1989, $3,850 million; 1990, $3,700 million.

APPENDIX E

Outlays Under Finance Committee Expenditure Accounts For Fiscal Years 1990-1992 (CBO Baseline Projections)

OUTLAYS UNDER FINANCE COMMITTEE EXPENDITURE ACCOUNTS FOR FISCAL 1990–92

[CBO baseline projections—in millions of dollars]

	FISCAL YEAR			
	1990	1991	1992	1990–92
Social Security (OASDI)	250,323	267,826	285,311	803,461
Medicare	113,980	130,055	146,753	390,788
Medicaid	38,230	42,488	46,965	127,683
Maternal and Child Health	603	627	652	1,882
Supplemental Security Income	12,374	14,338	15,354	42,066
AFDC and Child Support	11,792	12,209	12,482	36,483
AFDC work programs (WIN/JOBS)	377	600	635	1,612
Earned Income Tax Credit [1]	3,919	4,121	4,381	12,421
Foster Care/Adoption	1,354	1,400	1,541	4,295
Child Welfare Services/Training	270	280	292	842
Social Services	2,700	2,700	2,700	8,100
Unemployment Compensation	17,861	17,826	18,914	54,601
Trade Adjustment	257	274	268	799
Job Service [2]	1,065	1,109	1,156	3,330
Puerto Rico Tax Rebates	205	205	205	615
Puerto Rico Customs Rebates	128	133	139	399
Public Debt Administration	229	240	251	720
Interest on Public Debt	263,501	284,496	299,475	847,472
Interest on Tax Refunds	2,161	2,192	2,258	6,611
Pension Benefit Guaranty Corp.	(349)	(351)	(346)	(1,046)
U.S. Trade Representative	16	17	18	51
Customs—general administration	1,207	1,169	1,212	3,587
Customs—air interdiction	160	162	169	491
Customs Refunds, Forfeitures	49	50	51	151
Customs User Fees	(892)	(72)	(2)	(965)
Tax Court	31	32	34	97
Internal Revenue Service	5,537	5,804	6,069	17,410
Totals:				
Social Security (OASDI)	250,323	267,826	285,311	803,461
Other (except interest)	211,102	235,416	259,891	706,409

[1] Refundable portion.

[2] Portion funded from unemployment tax.

APPENDIX F

Finance Committee Budget Allocation Report For Fiscal Year 1989 Pursuant to Section 302 of the Congressional Budget Act

100TH CONGRESS
2d Session

SENATE

REPORT
100–519

FINANCE COMMITTEE ALLOCATION OF BUDGET TOTALS—FISCAL YEAR 1989

SEPTEMBER 19 (legislative day, SEPTEMBER 7), 1988.—Ordered to be printed

Mr. MATSUNAGA, from the Committee on Finance, submitted the following

REPORT

[Pursuant to section 302(b) of the Congressional Budget Act of 1974]

Pursuant to sections 302(b) and 302(e) of the Congressional Budget Act of 1974, as amended, the Committee on Finance reports to the Senate the following allocation of the amounts which are considered under a submission to the Senate by the chairman of the Committe on the Budget on June 23, 1988 (Congressional Record p. S8517) to have been allocated to the Committee for purposes of section 302(a) of such act with an adjustment as provided for in section 5 of House Concurrent Resolution 268. The allocation in this report is consistent with action to date by the Committee on Finance and by the Senate on matters within the jurisdiction of the committee. The committee expects to file revised reports as may become necessary to accommodate any future action.

Section 302(b) of the Congressional Budget Act requires that each committee subdivide its 302(a) allocations among its subcommittees or among programs over which it has jurisdiction and further subdivide the amounts between "controllable amounts" and "all other amounts." The committee elects for purposes of this report to utilize the subcommittee method of allocation. The committee may or may not utilize this same method for future reports. The committee notes that the Budget Act does not define the term "controllable," but it is commonly understood to refer to the distinction between those items which are subject to discretionary appropriations action and those items which are funded from permanent appropriations or which are of a mandatory nature even though funded through annual appropriations acts. Under the conventions employed in allocating funds to the Committee on Finance pursuant to section 302(a) of the Budget Act, all amounts so allocated are within the category of "all other amounts."

[In millions of dollars]

	Budget authority	Outlays	Credit authority
Subcommittee			
International Trade	361	360	
Social Security and Family Policy	349,306	293,851	
Taxation and Debt Management	243,429	243,430	
Energy and Agricultural Taxation	0	0	
International Debt	0	0	
Health	149,794	130,330	
Private Retirement Plans and Oversight of the Internal Revenue Service	0	−639	2
Total [1]	742,890	667,333	2

[1] Detail may not add to totals because of rounding.

○

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United States Senate
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510-6225

March 14, 1989

The Honorable Jim Sasser
Chairman
Committee on the Budget
United States Senate
Washington, D.C.

Dear Mr. ~~Chairman~~: Jim

This letter is in response to your request concerning estimated spending levels in FY 1990 for programs and activities under the jurisdiction of the Committee on Foreign Relations.

To date, the new Administration has not submitted authorizing legislation for any of the programs and activities under the Committee's jurisdiction, and I understand that such legislation may not be submitted until after the Administration's foreign policy review is completed in early May. In fairness to the new President, who, in my view, is making a sincere effort to cooperate with Congress in forging a bipartisan foreign policy, I do not believe that it would be appropriate to make judgments on funding issues before the Administration has had an opportunity to explain and justify its requests.

Although President Bush has endorsed the overall increases in the 150 function requested by the Reagan Administration, he has reserved the right to make changes in the amounts requested for individual programs; and I would like to know what those changes are before asking the Committee to act. It is important to note, however, that the Administration is requesting a 14% increase in the 150 function over the levels appropriated for FY 1989. While the Committee on Foreign Relations is unlikely to approve an increase of that magnitude, neither can we ignore the needs of important security and humanitarian programs that are vital to U.S. foreign policy objectives.

I believe, for example, that it is important to support the Administration's plan for full-funding of U.S. obligations to the U.N. and for the phased repayment of past arrearages. In the last year, UN-sponsored negotiations have helped resolve such intractable regional conflicts as the Persian Gulf War, Afghanistan and Namibia. Peacekeeping in these areas will be costly. We also must ensure that we maintain the notable successes we have had reducing child morbidity and mortality in developing countries. The challenge of combatting AIDS, threatening hundreds of thousands of lives around the world, must be met.

The Administration's proposal for additional assistance to the Philippines deserves thoughtful consideration, and I will be proposing that the cuts recommended by the Reagan Administration, and apparently endorsed by the Bush Administration, in funding for UNEP and UNICEF be restored. International environmental protection also needs increased attention in keeping with the surge of world-wide concern about global warming, ozone depletion, deforestation and loss of biological diversity. Authorities in the Foreign Assistance Act for this purpose, which I authored, have not been adequately utilized or funded; and that should be corrected.

At the same time, I will ask the Committee to look carefully at areas where cuts could be made. The Reagan Administration budget, which so far has not been changed by President Bush, includes a $400 million increase in security assistance. At a time when peace is breaking out all over the globe -- something that the Reagan-Bush Administration took credit for -- I question whether an increase of this magnitude is either necessary or desirable in order to promote the continuation of the trend toward peace.

Despite recent complaints of living on starvation wages, the Department of State's operating budget has grown substantially since 1981. Much of this increase has been for new security and construction programs. During this period of apparent affluence, however, something has happened to our priorities. While the Department has begun an unprecedented number of new construction projects, many valuable Foreign Service posts have been closed, ostensibly because of budget pressures. The United States Information Agency has also experienced large funding increases combined with confused priorities. Reductions in State and USIA funding requests must be made; and the prime target of the Committee's attention will be the huge expenditures for building programs, many of which have no justifiable security purposes.

The Committee on Foreign Relations will, in my judgment, be looking to increase funding in some areas and to reduce it in others. I cannot assess for you now what the net result will be, but it appears likely that the Committee will approve a modest increase in the programs under its jurisdiction. In this connection, I am concerned by reports that the Budget Committee may be inclined to freeze the 150 function at current levels. My own view is that our programs ought to be treated as favorably as the 050 function -- and arguably more favorably. As military threats to our security decline -- and they are -- the cost of managing peace increases, but the sums involved are extremely modest in comparison with military expenditures.

With every good wish.

Ever sincerely,

Claiborne Pell

JOHN GLENN, OHIO, CHAIRMAN

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LEONARD WEISS, STAFF DIRECTOR
JO ANNE BARNHART, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

March 8, 1989

The Honorable Jim Sasser
Chairman
Committee on the Budget
United States Senate
Washington, D. C. 20510

The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Jim and Pete:

Pursuant to Section 301 (d) of Congressional Budget Act, I am submitting my views with respect to federal spending in the jurisdiction of the Governmental Affairs Committee.

As Chairman of the Committee, I am deeply concerned about the size of the deficit. And, I will try to find as much common ground as possible between the majority and minority on this Committee to move forward spending reduction measures. I have reviewed the programs directly under the Committee's jurisdiction and I am in the process of consulting with members of our Subcommittees about their views of the President's fiscal year 1990 budget proposals. Clearly, not every request made by the White House will be accepted. In fact, similar requests have been made in previous years and rejected by the Congress.

I recognize that with the requirements of the Gramm-Rudman deficit reduction law, the Committee may need to revisit certain budget proposals. However, our job is to work from the President's plan and fashion a budget that reflects our priorities. In this regard, I believe that any recommendations put forward this year that affect federal workers and retirees should be measured against the fact that this group has already shouldered a significant amount of the deficit reduction burden.

Forty-seven percent of the specified savings in the President Bush's budget plan would come from cuts in federal retirement and health care benefits. Among the spending cuts put forward, the President has proposed eliminating cost-of-living adjustments (COLAs) for federal retirees in fiscal year 1990 and limiting future COLAs for certain retirees to an amount less than the rise in the Consumer Price Index (CPI) in subsequent years. In contrast, no COLA reductions were recommended for Social Security retirees.

By conservative estimates, federal retirees have lost more than $17 billion in the past nine fiscal years (FY 1981-FY 1989) in COLA benefits as a result of previous deficit reduction measures -- with more than $2 billion of this amount an outcome of the 1986 Gramm-Rudman COLA sequestration.

Civil Service and Social Security retirees face the same cost-of-living increases. I do not believe that one group of older Americans should be deprived of the inflation protection that most older Americans receive on the grounds that they chose careers in public service. I believe that the Congress recognized this when it amended the Gramm-Rudman Act in 1986 to exempt the COLAs of federal retirement programs from future sequestrations. That action put federal retirement programs under the same Gramm-Rudman protection that Social Security originally received when the budget law first passed the Congress. In addition, I must point out that federal annuitants, who retired before the 1986 COLA sequestration, are already living with a permanent reduction in their pension benefits.

The President's budget proposes to cut spending for the Federal Employees' Health Benefits Program (FEHBP) by reducing the government's contribution for health insurance and requiring employees and retirees to pay more out of their pockets. The Congress has repeatedly rejected this proposal in previous budget battles. In the past eight fiscal years, federal spending for FEHBP has been cut by more than $6 billion. In 1988, federal employees paid, on average, 31 percent more out-of-pocket in health insurance premiums. In 1989, employees paid 26 percent more while annuitants faced a 41 percent premium hike. The Governmental Affairs Committee plans to undertake a major effort to reform the FEHBP in 101st Congress, with an eye aimed toward holding down escalating premium costs for both the government and enrollees. It is our hope that such legislation will produce long-term federal budget savings.

The President's budget proposes a 2 percent pay raise for federal civilian employees and a 3.6 percent increase for members of the uniformed services. For the past two years, the Congress has provided that inflation adjustments in pay for civilian and military personnel be the same -- such parity is also assumed in the Gramm-Rudman law and the Congressional Budget Office (CBO) pay baseline.

A 2 percent pay raise will do nothing to address the pay gap between federal employees and their private sector counterparts -- a pay gap that has doubled in the last nine years. The President's Pay Agent reported in August 1988 that federal pay now lags behind comparable private sector pay by 26 percent -- a 2 percent increase from the year before. As was the case last year, the Pay Agent also reported that signs of strains of the pay gap were being seen throughout the federal government in recruitment and retention problems.

Every year for the past 11 fiscal years, federal civilian employees have received a pay raise that has been less than the amount due to them under the Pay Comparability Act of 1970. This has resulted in almost $63 billion in lost wages. A pay raise larger than 2 percent would, at least, provide some small recognition of federal employees in relation to their private sector counterparts.

The CBO baseline assumes that federal pay will be adjusted by 4.1 percent, for inflation, in fiscal 1990. At a minimum, both civilian and military personnel should receive a pay adjustment that provides for some protection against inflation. And, I believe that it is important that this inflation adjustment should be the same for both groups of employees, for both groups are integral to the operations of government.

The CBO baseline assumes that government agencies will absorb approximately 15.5 percent of the cost of the fiscal 1990 pay raise. In recent years, however, as part of previous deficit reduction plans, federal civilian agencies have been absorbing increasingly larger percentages of pay increases on an annual basis. In 1989 for example, according to the CBO, federal civilian agencies absorbed 100 percent of the cost of the 4.1 percent pay raise. In contrast, CBO estimates that 40 percent of the cost of the raise for civilian defense employees and 7 percent of the cost of the pay raise for military personnel was absorbed by the Department of Defense in 1989.

Under the terms of the President's budget for fiscal year 1990, both civilian defense employee and military pay raises would be fully-funded for the Department of Defense. In comparison, federal civilian agencies whose budgets would be frozen at fiscal year 1989 levels, would be required to absorb 100 percent of the costs of any pay raise. The question of how much more we can require these agencies to spend on personnel costs, without funding those costs, needs to be seriously examined. Should the 100 percent absorption rate continue, a likely result will be widespread reductions-in-force and impaired program operations.

The President's budget proposes numerous and immediate spending cuts for the United States Postal Service totalling some $1.6 billion in fiscal 1990, and even deeper cuts have been suggested, including freezing postal spending at fiscal 1989 levels. One of the budget proposals, to limit the fiscal 1990 postal pay raise to 2 percent, would require that the Congress abrogate existing labor agreements.

As a result of the Budget Summit Agreement of November, 1987, the Postal Service's capital and operating expenses were cut by $1.2 billion during fiscal years 1988 and 1989. I do not believe that any additional immediate and deep spending cuts can be absorbed by the Postal Service without service reductions and/or increased postal rates. Any such action, would of course, jeopardize the Postal Service's ability to serve the public.

Regarding other issues of interest, I would like to note that the Governmental Affairs Committee's jurisdiction is very broad with respect to government oversight. I intend to exercise this authority vigorously, and pursue a variety of measures to reduce federal spending on a permanent basis through increased efficiency and economy in government.

Under the terms of the two-year Budget Summit Agreement of November 1987, the Committee met its budget instructions to save $1.7 billion in civil service and postal spending reductions over fiscal years 1988 and 1989. With the strong concern in mind that federal workers and retirees should not be asked to carry an unfair burden in this year's deficit reduction plan, I am hopeful that the Governmental Affairs Committee will achieve its share of deficit reduction.

Best regards.

Sincerely,

John Glenn
Chairman

WILLIAM V. ROTH, JR.
DELAWARE
104 HART SENATE OFFICE BUILDING
TELEPHONE: 202-224-2441

COMMITTEES
GOVERNMENTAL AFFAIRS
FINANCE
JOINT ECONOMIC COMMITTEE
SELECT COMMITTEE ON INTELLIGENCE

United States Senate
WASHINGTON, DC 20510

March 8, 1989

The Honorable James Sasser
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Pete Domenici
Ranking Republican Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete:

As the Ranking Republican Member of the Committee on Governmental Affairs, I am submitting my views with respect to Federal spending in the Committee's jurisdiction in accordance with Section 301 of the Congressional Budget Act.

As the Ranking Member of the Committee, I am deeply concerned about the size of the Federal deficit. As in the past, I hope that the Committee will contribute to efforts to reduce Federal spending. I stand ready to help.

In an effort to reduce the deficit, I have introduced S.68, the Federal Employees' Optional Early Retirement Act. This legislation establishes a 60 day early retirement window for Federal employees and places a five year hiring freeze on the number of positions of those employees who retire during the window period. It is my understanding that some "scoring" questions remain with respect to this bill. In an effort to resolve these questions, I have submitted the legislation to the Office of Management and Budget and the Congressional Budget Office and I am awaiting their views.

In addition to this legislation, I believe the Committee could help generate deficit reduction savings through efforts to promote procurement reform and better Federal debt collection practices. As I mentioned, I stand ready to contribute to deficit reduction efforts.

page 2

Finally, I am concerned that no single group carry an unfair share of the sacrifices required and urge that reductions be evenly distributed in all areas of the budget. Any action taken this year should be seen in the light of the significant contribution already made toward deficit reduction by the Federal civilian workforce and retirees during the past decade. In this regard, I strongly believe that Federal employees and military personnel should be treated equally with regard to a pay raise.

It is vitally important that the Congress reduce the deficit through reduced spending. I believe there is ample room for deficit reduction and all Committees should share in this effort.

Sincerely,

Bill

William V. Roth, Jr.
United States Senator

JOSEPH R. BIDEN, JR., DELAWARE, CHAIRMAN
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R.J. DUKE SHORT, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

March 8, 1989

The Honorable Jim Sasser
Chairman
Committee on the Budget
Washington, D.C. 20510

The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
Washington, D.C. 20510

Dear Jim and Pete:

In response to your letter of February 1, 1989, and pursuant to Section 301 (c) of the Congressional Budget Act, enclosed is a report outlining the levels of spending for programs under the jurisdiction of the Senate Committee on the Judiciary. We hope it will be helpful to you as you work on the concurrent budget resolution.

Sincerely,

Strom
Strom Thurmond
Ranking Minority Member

Joe
Joseph R. Biden, Jr.
Chairman

Committee on the Judiciary
Narrative Statement on Spending Requirements

Overview:

The Judiciary Committee believes that important and far-reaching legislation has been passed in the areas of crime and drug control as well as immigration reform in the past several years. These important measures should now be carefully reviewed. To that end, the committee will continue to carry out Justice Department and drug control program oversight.

One area of committee interest that will have limited budgetary impact is the desire to improve coordination of federal narcotics programs. The committee will be reviewing the new Office of Drug Control Policy's recommendations for improving the federal drug effort. This may result in new programs; however, that will not be known until the new Federal Drug Control Strategy is completed in September 1989.

The committee generally supports a number of budgetary increases proposed in the President's budget. After passage of two major drug bills, it will be particularly necessary to enhance judicial and correctional programs.

The committee will also continue its support and funding of state and local assistance programs in the area of crime and drug control, which are under the jurisdiction of the Office of Juvenile Justice and Delinquency Prevention, Bureau of Justice Assistance, the State Justice Institute and the Regional Information Sharing System.

The committee will also be reviewing the collection of judicially imposed fines and forfeiture of criminal assets. Concerns have been expressed that these two programs are not working as effectively as envisioned by Congress, and they will be scrutinized by the committee in an effort to find sources of revenue to fund criminal justice efforts and/or to reduce the general federal deficit.

Additionally, the committee will work on reauthorization of the Civil Rights Commission, voting rights and the Martin Luther King, Jr. Federal Holiday Commission.

Recommended Changes

I. New Initiatives

Proposal A: Federal Bureau of Prisons

The committee supports an increase of $220 million above the baseline, which is needed for additional prison bedspace and personnel. As the number of inmates continues to increase because of the Sentencing Act of 1987, and the new penalties under the Anti-Drug Abuse Acts of 1986 and 1988, additional correctional facilities and personnel will be necessary. Without these additional resources, it is expected that by 1995 the federal prison system would be overcrowded by 90 per cent.

Proposal B: The Judiciary

The increased workload of the court system as a result of the Sentencing Reform Act of 1987 and the Anti-Drug Abuse Acts of 1986 and 1988 will require additional resources for probation officers, defender services, court security and clerical support. The committee supports the increase of $125 million above the baseline for these programs.

Committee on the Judiciary Reporting on Spending Requirements for Fiscal Year 1990

	(Billions)
Baseline	
BA	11.0
I. Major New Initiative	
Proposal A:	
Bureau of Prisons	.2
Proposal B:	
The Judiciary	.1
Recommended Level	
BA	11.3

EDWARD M. KENNEDY, MASSACHUSETTS, CHAIRMAN

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KRISTINE A. IVERSON, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, DC 20510-6300

March 13, 1989

The Honorable James Sasser
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Senator Sasser:

The attached material describes the changes to the CBO baseline projections that will be necessary to implement high priority initiatives within the jurisdiction of the Labor Committee. In aggregate, our initiatives increase CBO baseline outlay projections in existing programs by $2.9 billion in 1990. This request reflects a unanimous judgment by the Committee's Democrats of the resources necessary to redress years of neglect of pressing national needs and to begin to develop a strategy that will assure a stronger and more prosperous future for America. In many cases these proposals are bipartisan requests developed by the relevant subcommittee chairman and ranking member.

In addition, our letter asks you to leave room in the Budget Resolution for three new programs that we believe will be in place for FY 1990. Taken together, we request $723 million for these initiatives in the coming fiscal year. Because we recognize the over-riding necessity of reducing the budget deficit, our request does not assume full restoration of these reductions. Rather, it focuses on a select group of high priority initiatives and includes a number of program freezes and cuts. Our projected legislative program for the 101st Congress also assumes a number of important program restructurings and reforms that are not reflected in our budget request because they can be conducted by creative use of current resources.

In some program areas, however, additional expenditures are essential and represent good investments in our country's future. We are requesting increases or new initiatives in education and training programs that are central in assuring a labor force able to meet the demands of the future, for several new initiatives and existing programs designed to help young children, for the bi-partisan homeless initiative, and for funds essential to maintain the current biomedical research effort and to devote increased resources to the AIDS epidemic.

We understand the importance of reducing the deficits, and we look forward to working with the Budget Committee in developing a budget resolution that is both fiscally and programmatically responsible.

Sincerely,

Edward M. Kennedy

Claiborne Pell

Tom Harkin

Howard M. Metzenbaum

Brock Adams

Spark M. Matsunaga

Barbara Mikulski

Christopher J. Dodd

Summary of Committee on Labor and Human Resources proposals for fiscal year 1990 budget, current and planned initiatives

Existing Programs

Labor

Proposal A: Economic Dislocation and Worker Adjustment
Proposal B. Disadvantaged Adult and Youth Training

Children and Family

Proposal A: Head Start

Education

Proposal A: Chapter 1
Proposal B: Pell Grants
Proposal C: Essential Education Programs

Handicapped

Proposal A: Education of the Handicapped
Proposal B: Vocational Rehabilitation

Health

Proposal A: War on Drugs
Proposal B: AIDS
Proposal C: Center for Disease Control
Proposal D: National Institutes of Health (Revision of Baseline)

Scientific Research

Proposal A: Academic Research Facilities Modernization

New Initiatives

Proposal A: Improved Child Care Services
Proposal B: National/Community Service
Proposal C: Early Childhood Development

Committee on Labor and Human Resources

Narrative on Recommended Spending Levels

Existing Programs

Labor

Proposal A: Economic Dislocation and Worker Adjustment Assistance

Last year the Congress enacted the Economic Dislocation and Worker Adjustment Assistance Act as part of the Trade Bill. This law completely rewrote Title III of the Job Training Partnership Act, which provides assistance to dislocated workers. The new law requires additional services to be provided by state governments -- notably rapid response services in cases of plant closings or mass layoffs. Current funding levels and the Administration proposal for FY 1990 fall far short of the level needed to fund this program adequately. For FY 1990, we recommend that $450 million be added above the CBO baseline.

Children and Family

Proposal A: Head Start

Heart Start gives disadvantaged children a better start in life. This program provides medical, social, nutritional and educational services to at-risk children. To expand this successful program we recommend an increase of $250 million above current services levels.

Education

Proposal A: Chapter 1

Chapter 1 provides supplementary educational services to disadvantaged children. The Augustus F. Hawkins - Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988 committed the federal government to expand this program over the next five years so that all eligible students are served. For FY 1990, we request $325 million above the current services baseline. This will enable the program to serve an additional 325,000 disadvantaged children.

Proposal B: Pell Grants

The federal government's most important student aid initiative is the Pell Grant program. For fiscal year 1990 we recommend an additional $375 million above baseline. This will provide the most disadvantaged children with a $2,550 maximum grant in the coming academic year.

Proposal C: Essential Elementary/Secondary and Postsecondary Programs

We recommend an additional $125 million to be allocated for targeted increases in current programs, including campus-based student aid, and Bush Administration proposals such as adult literacy, merit schools, magnet schools and teacher recognition.

Handicapped

Proposal A: Education of the Handicapped

We recommend an increase in this program to carry out the programmatic changes made in the 1986 reauthorization or the Education of the Handicapped Act (EHA) include the establishment of an early intervention program for handicapped infants from birth through age two, and the enhancement of services for preschool handicapped children. Modest increases are also requested to incorporate selected recommendations of the Commission on Education of the Deaf into this year's reauthorization of the EHA. For these initiatives we request $160 million above current services.

Proposal B: Vocational Rehabilitation

Rehabilitation programs are of proven cost-effectiveness, with individuals successfully rehabilitated and placed into jobs becoming tax-payers, rather than tax-users. For these programs, we propose an increase of $130 million over the baseline. This amount provides for a modest increase over the minimum entitlement required by law. It also includes increases for the other rehabilitation programs consistent with the authorized levels established by the Rehabilitation Act Amendments of 1986, and allows for increases to implement the new Technology-Related Assistance for Individuals with Disabilities Act of 1988.

Health

Proposal A: War on Drugs

The war on drugs is one of the nation's highest domestic priorities. To wage this war effectively, we recommend funding HHS programs for treatment, prevention, and research at level $300 million above the current baseline. This level will permit funding of NIDA and the Office of Substance Abuse Prevention and will permit funding for the ADMS block grant to rise significantly. The level will also be used to raise ADMS block grant treatment funds. While the recommended level will make a significant dent in current and anticipated waiting lists for treatment, is still well below the level recommended by the President's AIDS Commission.

Proposal B: AIDS

The Administration has requested $1.6 billion for AIDS programs which represents increases generally focused on biomedical research. This amount is $257 million above the CBO baseline. Nevertheless, the Administration's budget falls far short of keeping pace with the burgeoning need for prevention and care services.

The 100th Congress passed the first piece of AIDS authorizing legislation, S. 2889 (PL 100-607) declaring this nation's war against AIDS. Critically important new AIDS initiatives which require funding include: home and community-based care for people with AIDS; anonymous HIV testing; direct grants to public and private non-profit organizations for the delivery of AIDS education to underserved populations; paid advertising with AIDS prevention messages; international research/prevention programs to assist foreign nations in developing the infrastructure to combat the spread of HIV infection and in conducting vaccine/drug trials; and increase in the public health emergency fund (to continue the grant program for drugs which prolong the lives of people with AIDS); funding to expand outpatient clinical facilities for treatment evaluation by NCI and NIAID; funding for an increased community-based AIDS clinical research effort; and funding for demonstration projects for sub-acute care and counseling services for HIV(+) individuals and their families.

We request, $600 million above the CBO baseline to fund high priority measures to deal with the epidemic. This amount is sufficient to accommodate the Administration request and meet the unmet prevention and treatment needs identified in the authorizing legislation.

Proposal C: Center for Disease Control

We request funding of $50 million above the baseline for the Center for Disease Control. This will allow CDC to begin new programs of breast and cervical cancer screening that could reduce deaths by 50 percent or more. Other high priority prevention activities that need to be undertaken include: tuberculosis, sexually transmitted diseases and screening high risk new-borns for Hepatitis B.

Proposal D: National Institutes of Health

A recent GAO report confirmed that the current CBO methodology for calculating inflators necessary to maintain current services understates actual costs significantly. To maintain NIH at its current level of activity -- including maintaining the current number of new and competing grants, avoiding cutbacks in staff, and not reducing funded grants below an acceptable level -- will require approximately $500 million in funding above the CBO baseline. Since this amount is a correction of the baseline rather than an addition to current services, we include it as a non-add item in our tables.

Scientific Research

Proposal A: Scientific Research Facilities

America's scientific research facilities have deteriorated badly and most observers believe that the repair bill will approach $20 billion. The National Science Foundation Reauthorization of 1988 authorized a small program to help renovate and repair academic facilities devoted to research. The Labor Committee requests $100 million in Fiscal Year 1990 to launch this program.

Major New Initiatives

Proposal A: Improved Child Care Services

The Congress and the Bush Administration have committed themselves to helping families meet their child care needs. The Act for Better Child Care Services is designed to improve the affordability, availability and quality of child care for low income and working families. To fund this program in the fourth quarter of fiscal year 1990 we recommend $635 million. Funding for child care will increase in the out years.

Proposal B: National/Community Service

There is widespread interest in the enactment of legislation designed to encourage more Americans -- especially young Americans -- to engage in community or national service. Eight bills addressing this issue have been introduced in the Senate alone, and the Administration has committed itself to such an initiative. For this program we recommend a fourth quarter funding level of $25 million.

Proposal C: Early Childhood Development

The Labor Committee is committed to an expansion of early childhood development programs in schools, Head Start centers and in other community based programs. Research clearly suggests that such programs will save $4 to $5 later for each $1 of federal money invested now. For the new Smart Start program, we recommend $62.5 million in Fiscal Year 1990.

Committee on Labor and Human Resources

Spending Levels

(Millions of $)

Existing Programs

	1990	1991	1992	1993	1994
Labor					
Proposal A					
BA	450	468	487	506	526
O.....	14	361	447	483	502
Children and Family					
Proposal A					
BA	250	260	270	281	292
O	113	240	264	274	285
Education					
Proposal A					
BA	325	338	352	366	381
O	39	262	331	351	365
Proposal B					
BA	375	390	406	422	439
O	75	371	393	409	425
Proposal C					
BA	125	130	135	141	147
O	15	101	127	135	140
Handicapped					
Proposal A					
BA	160	166	173	180	187
O	19	129	163	172	179
Proposal B					
BA	130	135	141	147	153
O	100	129	139	145	151
Health					
Proposal A					
BA	300	312	324	337	350
O	210	278	319	332	345
Proposal B					
BA	600	624	649	675	702
O	294	528	621	658	686

Proposal C	1990	1991	1992	1993	1994
BA	50	52	54	56	58
0	28	41	51	55	57
Proposal D					
BA	N/A				
0					
Scientific Research					
Proposal A					
BA	100	100	125	150	175
0	48	96	110	134	159
		New Initiatives			
Proposal A					
BA	635	1200	1800	2500	2500
0	318	918	1500	2150	2500
Proposal B					
BA	25	100	125	150	150
0	13	63	113	138	150
Proposal C					
BA	63	125	600	800	1000
0	28	87	335	662	878

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United States Senate
COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, DC 20510-6325

March 14, 1989

The Honorable Jim Sasser, Chairman
The Honorable Pete V. Domenici, Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Jim and Pete:

This is in response to your letter dated February 1, 1989, regarding the views and estimates of the Rules Committee with respect to the fiscal year 1990 budget.

We have reviewed the CBO baseline figures and believe that for purposes of the budget resolution they reflect adequate funding for programs within the jurisdiction of this Committee. At this time the Committee has no plans for new initiatives that would have a significant budgetary impact.

On February 28, the Senate agreed to S. Res. 66 which contains a section which would bring about parity with the House in the use of the congressional franking privilege. The Committee believes that the effect of the Resolution will lead to an increase initially. But we are hopeful that a separate appropriation for each house will ultimately lead to a reduction.

Sincerely,

Ted
Ted Stevens
Ranking Minority Member

Wendell
Wendell H. Ford
Chairman

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United States Senate
COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

March 8, 1989

The Honorable James Sasser
Chairman
The Honorable Pete Domenici
Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete:

We are glad to share with the Budget Committee our views and estimates with respect to the President's budget proposal for fiscal year 1990. At the outset, we note that President Bush has not submitted any amendments to the last Reagan budget for programs within the jurisdiction of the Small Business Committee, so our comments are directed at the Reagan-Bush proposals.

The Administration's budget request for SBA for next year is nearly identical to the proposal from the two previous years, but is slightly more stringent in a few areas. While not claiming to dismantle the agency, as President Reagan proposed for fiscal 1986 and 1987, the Administration does propose imposition of a broad array of increased loan guaranty fees and user fees for small business, as well as sale of much of the agency's loan portfolio and outright elimination of the disaster loan program for homeowners and businesses. These proposals have generally not been well received. We will address them in several groups.

Elimination of Direct Lending

The Administration proposes to eliminate the remaining and very modest direct loan programs at SBA for the handicapped ($12 million), Vietnam Veterans ($17 million), Economic Opportunity Loans ($17 million), and Minority Enterprise Small Business Investment Companies ($36 million). [The preceding are FY 89 appropriated levels.] This Committee acted several years ago to eliminate direct loans for general businesses, which did produce substantial budget savings. We do not now believe that the very meager savings which would result from the budget proposal justify the impact which it would have on these severely disadvantaged groups.

Increased Guaranty Fees

The Administration proposes drastic increases in all guaranty fees for SBA guaranteed loans and debentures. In the Sec. 7(a) guaranteed loan program, which is the agency's most popular financing vehicle, the fee would go from 2% to 5%. This fee was increased from 1% to 2% in 1986, and we do not believe another increase is justified. The 5% fee has been specifically considered and rejected by the Committee in the past. Several small business lenders have indicated they would discontinue their participation in the loan program if the guaranty fee was raised. Even more radical increases are proposed for other programs. In the Sec. 504 economic development loan program, for example, the fee would rise from .5% to 5%, a 1000% increase. The program has been highly successful in creating jobs, and the loans have a currency rate of 95% or better. This increase as well as that proposed for the SBIC program would undermine, if not eliminate, highly successful programs.

Elimination of Disaster Loans

The Administration proposes to eliminate immediately all federal disaster assistance loans for homeowners and businesses. Under current law, SBA makes direct loans at reasonable rates to those homes and businesses which have been damaged by natural disasters such as floods, tornadoes and earthquakes. The disaster program is financed entirely by repayments of loans from previous years' disasters. Loans are available only for uninsured losses. In a proposal which is clearly driven by OMB, the Administration would turn its back on the neediest Americans in times of trouble. In justifying this idea to Committee staff, SBA stated that the program discourages people from buying insurance. Our Committee would not support the Administration on this issue.

Small Business Development Centers

In the past two years, the Administration proposed the gradual phase-out of SBA funding for Small Business Development Centers, which provide a wide variety of management assistance and business development services to small businesses and now receive more than half of their funding from the states rather than the federal government. This year, the budget proposes immediate elimination of federal participation in this program. This would not only be unwise, but would reflect a lack of good faith in the federal role in this joint state-federal program. For FY 89, $42 million is appropriated for this program. Early last year, the Committee requested GAO to review the effectiveness of this program. The report should be available by June 1989 and will provide a basis for further evalution.

User fees

The Administration has expressed its intention to implement a number of so-called user fees, which would be charged to small firms wishing to use SBA's services and products. Some of these seem trivial, such as charging the public for copies of SBA's business development pamphlets or $10 for the President's Annual

Report on the State of Small Business. While user fees may be justified when a specialized service is sought by a discreet group, the Committee is skeptical of such a broad-based approach. Some of the fees, such as the proposed $100 charge for student-faculty business counseling in the Small Business Institute program, may result in the demise of the program.

Asset Sales

The Administration has once again proposed to sell billions of dollars in SBA loans, now being repaid to the Treasury, with the proceeds being applied to the federal deficit. Much of the SBA paper held by FFB is of high quality and bears high interest rates. It represents a good investment for the taxpayers and would clearly be saleable on Wall Street. Turning these loans into cash in order to reduce the deficit would be extremely costly in the long run. Moreover, this Committee has concerns about whether such assets should be sold without recourse. If loans are sold without the existing federal guaranty, the market will exact a high price for the risk it would assume.

New Initiatives

There are two issues which we bring to the attention of the Budget Committee under this heading, although the first is not actually a new initiative. The section 7(a) guaranteed loan program has been level-funded by the Appropriations Committee at $2.421 billion in guaranty authority for the last three years. Recently, there has been a drastic increase in demand for the program by both lenders and borrowers, and the program is now under strain and in danger of shutting down before the end of the year. We will seek to have funding for the program brought up to its authorized level of $2.930 billion for the next fiscal year. CBO has reported informally to our Committee staff that this will actually reduce outlays and budget authority by $7 million for 1990 and cost only $6 million in outlays and budget authority in fiscal 1991 and $14 million in outlays and $15 million in budget authority for 1992.

Second and of more budgetary significance, we have great interest in participating in a bipartisan, multi-committee effort to draft a major rural economic development plan for the Nation. The need for action to improve economic opportunity for those in small communities, especially in the heartland of America, cannot be gainsaid. We firmly believe that small firms are the chief beacon of hope for lasting economic growth for most of these areas. Since the lion's share of new jobs has come from smaller businesses over the last several years, both these firms and our Committee can make a major contribution to the issue of rural development.

We do not now have legislation written to accomplish this great purpose, but we can share some ideas with the Budget Committee.

We are inclined to believe that government and private enterprise must work in partnership toward this end, and the excellent results obtained by several government-sponsored enterprises (GSE's) readily come to mind. Our committee has some experience in this area, having worked for over three years to create the Corporation for Small Business Investment (Cosbi).

A number of thoughtful people have expressed interest in modifying or refining the Cosbi concept somewhat to stimulate investment is rural areas, as well as helping to provide venture capital to small business generally. Small business, and especially business in depressed rural areas, still faces the lack of access to capital as its chief obstacle. Just as Fannie Mae has worked effectively over the years to ensure the flow of capital to another major national priority, housing, we believe that Cosbi might serve a similar national purpose by helping ensure the flow of funds toward small business expansion, especially in areas which have been underserved by financial institutions.

This idea needs extensive hearings, and we do not now have a cost estimate. We might be willing to consider the use of existing small business loans held by the Treasury as a source of capitalization for such an enterprise. We are also confident that the private sector would be more than willing to buy into this enterprise and provide additional capital.

We appreciate the time and interest of the Budget Committee in hearing our views, as well as your support for small business generally. Both we and our Committee staff are at your disposal to discuss these issues in more detail.

Sincerely,

Rudy

Rudy Boschwitz
Ranking Member

Dale

Dale Bumpers
Chairman

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United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

March 13, 1989

Honorable Jim Sasser
Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete,

Pursuant to section 301(c) of the Congressional Budget Act of 1974, and the approval -- by a bipartisan vote of 8-3 -- of the Committee on Veterans' Affairs at a March 8, 1989, meeting, our Committee is hereby reporting to the Committee on the Budget our views and estimates with respect to the FY 1990 budget for veterans' programs within the jurisdiction of our Committee and with respect to the urgent need for an FY 1989 supplemental appropriation in certain discretionary accounts. This report comprises our Committee's recommendations with regard to programs included in Function 700 (Veterans' Benefits and Services) and certain programs included in Function 500 (Education, Training, Employment, and Social Services).

We have very carefully reviewed the Administration's FY 1990 budget for veterans' programs and the testimony of representatives of the Veterans' Administration, the Department of Labor, veterans' service organizations, and the American Association of Medical Colleges at our March 6 hearing. In addition, we have had the benefit of the January 1989 "Independent Health Care Budget for Veterans", prepared jointly by the AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars.

In preparing our recommendations, we have given great weight to the urgent need to control federal spending in order to reduce the huge federal deficits. However, we also strongly believe that deficit-reduction efforts must be undertaken in a manner that is fair to our Nation's veterans and consistent with our obligations to those who have served (and their families and survivors) and made such great sacrifices to keep our Nation free and strong.

We are recommending Function 700 totals of $32.0 billion in budget authority (BA) and $30.9 billion in outlays. These amounts are $1.54 billion in BA and $1.23 billion in outlays more than is provided for in the President's FY 1990 budget, as reestimated by the Congressional Budget Office (CBO) (not taking into account the $833 cost of the Reagan Administration's proposed credit-subsidy legislation -- which the Bush Budget revisions apparently do not incorporate -- or the $496 million savings from the Adminstration-proposed legislation to extend the expiration date for without-recourse sales of vendee loans, which despite apparent savings resulting from accounting conventions, would actually reduce short-term and possibly long-term revenues), and $608 million in BA and $428 million in outlays over the CBO baseline. Our specific views are reflected in the enclosed description of our recommendations and the accompanying tables. The tables indicate, account by account (1) for FY 1990 the amounts requested in the Administration's budget (as reestimated), the CBO baseline, the changes we are proposing, and the differences between our recommendations, the Administration request, and the CBO baseline for each account shown, and (2) for FY 1989, the BA and outlay figures for our recommended FY 1989 supplemental appropriation.

Health-Care Programs

With respect to VA health-care programs, as you are aware, the VA health-care system is experiencing an FY 1989 shortfall of tremendous magnitude. On September 9 and 20, 1988, our Committee held hearings to investigate reports of inadequate funding levels within the VA health-care system. At that hearing, VA medical center directors, doctors, and nurses virtually unanimously described, under oath, the fiscal state of affairs as a "crisis" and "the worst financial crunch" they had ever seen in VA health care. In connection with the hearing, the VA's Chief Medical Director (CMD) testified that funding for VA health-care facilities for FY 1989 was $635 million less than was needed to operate them at the FY 1988 level. Although the then-Administrator of Veterans' Affairs later advised that the shortfall was $432 million, after analyzing that figure we believe the CMD's estimate is the more accurate. (Neither of these figures would reduce the enormous backlog of medical equipment -- currently well over a half billion dollars -- which has accumulated over the last several years as a result of equipment replacement funds being diverted to pay salaries and other immediate needs.)

Because adequate funds are not available for FY 1989, the VA decided it could no longer risk compromising the quality of care furnished and, instead, the CMD consciously chose to reduce services, close specific programs, and decrease the workload. Our Committee has received reports from VA facilities that thousands of veterans are being told, after years of receiving VA care, to go elsewhere or that they must wait long periods of time -- in many cases a denial of care in and of itself -- before receiving certain types of care or prostheses. Numerous programs and services are being cut back or eliminated altogether, including hospital-based home-care services, alcohol and drug treatment centers (8 have already been closed), community nursing home care, and hospice care programs, to name just a few.

Unfortunately, the Administration has not yet responded to the problem. President Reagan's budget for FY 1990 contained no request for supplemental medical care funding for FY 1989, and the medical care budget for FY 1990 reflects a request for less than $200 million -- far less than the amount required to counter inflation -- over what has turned out to be an unacceptably low funding level for FY 1989. Administrator Derwinski has advised our Committee that he has requested from OMB a medical care account supplemental of $314 million for FY 1989 and $512 million in additional funds for FY 1990 for that account. Thus far the Bush Administration has not acted on these requests although they are under serious study at OMB. The Bush budget calls for a flexible freeze on the total expenditures for a $136-billion block of domestic programs including VA health care. This could result in a reduction of $200 million below even the unacceptably low Reagan FY 1990 medical care request.

To put this in perspective, OMB reduced the VA's FY 1990 request for its medical care, construction, and research programs by $1.427 billion -- with a loss of 8,000 full-time FTEE from FY 1988 levels under the medical care and research accounts. The Administration's budget would not only fail to alleviate the shortfall but also would require denying care to tens of thousands of additional veterans who previously had access to such care, imposing copayments, cutting funding levels for research, significantly decreasing the number of available residents and interns necessary to provide patient care, postponing activation of many important construction projects once completed, and permitting the backlog of medical equipment to reach $713 million by the end of FY 1990. Our Committee finds these results totally unacceptable.

After completing our analysis of the medical program shortfalls, we are proposing VA health-care program funding levels needed in FY 1989 and FY 1990 to restore patient workload and health-care staffing to approximately FY 1988 levels and to begin making the effort necessary to deal with the enormous unmet needs of Vietnam and other combat veterans for post-traumatic stress disorder treatment, to help meet the increasing demands for and costs of AIDS treatment, to provide for additional services for the great numbers of homeless Vietnam veterans, and to combat the growing epidemic of drug and alcohol treatment. We recommend, for the medical care account, a supplemental FY 1989 appropriation of $618.4 million and, for FY 1990, $1,241.5 million in BA and $1,138.6 million in outlays over the Administration's budget: $11 million in BA and $8.4 million in outlays over the Administration's budget for the medical and prosthetic research account; $4.2 million in BA and $3.2 million in outlays over the Administration's budget for the medical administration and miscellaneous operating expenses account; and $123 million in BA and $6.6 million in outlays over the Administration's budget for construction accounts.

Benefits Administration

With respect to funding for veterans' benefits administration, we are recommending FY 1989 supplemental appropriations of $15 million in the VA's general operating expense account (GOE) and an FY 1990 add-on of $38.1 million in BA and $26.4 million in outlays to the Administration's request. These additional sums are necessary to restore the VA's ability to process claims for benefits and services in a timely and effective manner and to administer its home loan guaranty program efficiently and cost-effectively.

Since FY 1981, VA Department of Veterans Benefits (DVB) staffing has been cut by 25 percent. As a result, the VA has been substantially prevented from meeting its standards for quality and especially timeliness in the adjudication of veterans' claims for benefits and in the administration of the program of vocational rehabilitation for service-connected disabled veterans. The DVB cuts throughout the 1980's also have contributed to the substantial financial problems now confronting the home loan guaranty program. For example, they have prevented the VA from providing adequate levels of financial counseling to veterans in default on their VA-guaranteed loans, which has resulted in needlessly high numbers of those loans going into foreclosure, at great cost to the veterans who lose their home as well as the VA. The inability to process promptly bids on VA-acquired foreclosed properties has also caused sales of such properties to fall through, resulting in the VA paying the significant costs of holding such properties.

To help deal with these problems in the current fiscal year, Administrator Derwinski has asked OMB to approve $10 million in supplemental FY 1989 funding for DVB (to become the Veterans Benefits Administration (VBA) on March 15). This is certainly a positive step, but we believe that $5 million more is needed to alleviate the FY 1989 shortfall. In the absence of supplemental FY 1989 funding, the VA's Chief Benefits Director has testified that employee furloughs will be required and that services will deteriorate further.

As in the case of medical care, the Administration's budget for FY 1990 ignores the current severe problems and proposes a further staffing cutback in DVB/VBA (a 323-FTEE reduction). Administrator Derwinski also testified that he has asked OMB to approve an additional $10 million and 244 FTEE for FY 1990 for DVB/VBA. The additional $10 million would be used primarily for enhancing loan servicing and property management functions in the loan guaranty program -- a cost-effective means of reducing veterans' defaults on guaranteed loans and increasing receipts through improved management and disposition of foreclosed properties. His proposal, however, would not provide for necessary improvements in the quality and timeliness of claims adjudication and in vocational rehabilitation services. To accomplish this, an additional $8 million and 250 FTEE are needed -- for a total of $18 million and 494 FTEE more needed for FY 1990 for DVB/VBA, and that is what we recommend. We also are recommending for the office of the General Counsel an additional $1 million for each fiscal year (10 FTEE in FY 1989 and 12 FTEE in FY 1990) and for the new U.S. Court of Veterans Appeals an additional $1.9 million and $4.8 million to deal with requirements under the Judicial Review Act enacted on November 18, 1988.

Compensation COLA

We are recommending the amounts -- $456.7 million in BA and $411.5 million in outlays -- estimated by CBO to provide for FY 1990 cost-of-living adjustments (COLA) in compensation and dependency and indemnity compensation, as proposed in S. 13, of the same percentage and at the same time as the Social Security COLA will be provided.

Conclusion

Our Committee has arrived at our recommendations only after a thorough review of veterans' programs and consideration of areas in which savings and economies could be achieved consistent with the Congress' continuing commitment to meet its obligations to the Nation's veterans and their survivors, and particularly to service-connected disabled veterans, in recognition of the fact that the costs of benefits and services for veterans is truly a part of the cost of the wars they fought to protect and preserve our way of life. We also recognize that the add-ons we are proposing to the Administration's requests are larger than we have ever previously proposed. That, however, simply reflects the fact that the Administration's proposals are so unacceptably low and that very substantial increases are needed just to bring VA operations up to acceptable levels and provide for an acceptable quality of services.

These views reflect the best judgment of the Committee on Veterans' Affairs as of this date. If I or the Committee staff may be of further assistance in your consideration of this report, please feel free to call upon us.

Attached to this letter is a letter from Senators Murkowski, Simpson, and Thurmond expressing their minority views on the Committee's report.

Warm personal regards,

Cordially,

Alan

Alan Cranston
Chairman

Enclosures

cc: Honorable Frank Murkowski
All Budget Committee Members
All other Veterans' Affairs Committee Members

March 13, 1989

REPORT OF SENATE COMMITTEE ON VETERANS' AFFAIRS ON ITS RECOMMENDATIONS FOR THE FISCAL YEAR 1990 BUDGET AND SUPPLEMENTAL FY 1989 DISCRETIONARY FUNDING FOR VETERANS' PROGRAMS

FUNCTION 700 -- VETERANS BENEFITS AND SERVICES

The Committee recommends Function 700 totals of $32.007 billion in budget authority (BA) and $30.938 billion in outlays as specified in the attached tables and discussed below. These amounts are $2.039 billion in BA and $1.723 billion in outlays over the President's budget request as reestimated by the Congressional Budget Office (CBO) (disregarding the amounts included in that request for the costs of the proposed credit-subsidy legislation -- these amounts apparently are not included in the Bush revisions) and $608 million in BA and $428 in outlays over the CBO baseline for the function. Not counting the Administration's proposal to achieve savings of $496 million in BA and outlays -- which would be the product of an accounting device rather than any short- or long-term increases in receipts -- through legislation enabling the VA to sell certain loans without recourse, the Committee's recommendations are $1.54 billion in BA and $1.23 billion in outlays over the President's request as reestimated (specific changes to the Reagan budget which are described in President Bush's budget document are incorporated in the tables and discussion). (Taking into account the amounts included in the Reagan request for the costs of the proposed credit-subsidy legislation (as well as the savings from the without-recourse proposal), the amounts recommended are $1.20 billion in BA and $892 million in outlays over President Reagan's budget request.)

The following discussion highlights changes recommended by the Committee (and shown in the attached tables) from the FY 1990 budget for veterans' programs submitted by the Administration (as reestimated by CBO and referred to herein as the "Administration budget") and reflects differences from the CBO baseline for each account. In addition, the Committee's recommendations for an FY 1989 supplemental appropriation are discussed in the narrative, described in a separate table, and summarized at the end of this report.

Subfunction 701, Income Security

Compensation account:

LEGISLATION:

Disability compensation and dependency and indemnity compensation (DIC) cost-of-living adjustment (COLA): The Committee will report legislation (S. 13) to provide for an FY 1990 COLA at the same percentage as the FY 1990 COLA in Social

Security and VA pension benefits, effective December 1, 1989, the same effective date as the Social Security/VA pension COLA. The Committee believes that providing annual COLAs for these benefits to ensure that their value is not eroded by inflation must be a top priority. CBO currently estimates that the COLA will be 4.9 percent (the Administration estimates that it will be 3.6 percent). The Administration indicated in its budget that it will propose legislation to provide automatic annual COLAs in compensation benefits tied to the annual change in the Consumer Price Index. The Committee is opposed to such legislation.

Cost: No cost as compared to both the Administration budget and the CBO baseline. Based on CBO's current estimate of the Social Security/VA pension COLA, the cost as compared to the cost of the program under current law would be $456.7 million in BA and $411.5 million in outlays.

Agent Orange exposure compensation: On October 18, 1989, the Senate passed legislation (S. 2011) which would have compensated Vietnam veterans suffering from non-Hodgkin's Lymphoma and soft-tissue sarcoma and their survivors. The House refused to accept that legislation in the 100th Congress. The Committee anticipates that such legislation (or provisions derived therefrom) will be introduced this session and will be favorably reported by the Committee. The recommended funding level is the amount CBO informally estimates such legislation would cost in FY 1990.

Cost: $19 million in BA and $15 million in outlays as compared to both the Administration budget and the CBO baseline.

Compensation account total cost: $11.71 billion in BA and $11.14 billion in outlays, which is $19 million in BA and $15 million in outlays over both the Administration's budget and the CBO baseline.

Pensions account:

LEGISLATION:

Reduction of pension cutoff for hospitalized veterans: Section 112 of S. 13 would amend section 3203(a) of title 38 to extend from three to eight months the period of hospitalization permitted before the VA pension benefits of veterans with no dependents who are hospitalized in a VA facility are reduced to $60 per month. In addition, the Secretary would be authorized to grant a four-month extension (i.e., suspend the reduction) where the Secretary determines that the veteran is likely to be released in a reasonably short period of time. This measure also would increase the $60 monthly cap to $105 in order to counter the effects of inflation occurring over the last ten years since the cap was last increased in 1979.

In many cases, hospitalized veteran-pensioners, by definition low-income persons, retain significant financial responsibilities -- most often rent or installment contracts -- which they will be unable to meet upon release from the hospital if their pension benefits have been reduced. Their ability to live independently and to avoid overwhelming financial hardship after hospitalization thus often depends upon the receipt of their full pension benefits.

It is expected that the Committee will report this legislation favorably.

Cost: $11 million in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Pension account total cost: $3.94 billion in BA and $3.81 billion in outlays, which is $11 million in both BA and outlays over both the Administration's budget and the CBO baseline.

Burial benefits and miscellaneous assistance account:

Burial Plot Allowance: Restore amounts that the Administration proposes to save through generally reducing eligibility for the $150 plot allowance to only those who were receiving V.A. compensation or pension at the time of death. This would eliminate entitlements to a plot allowance in the cases of millions of veterans and eliminate in FY 1990 eligibility in the cases of 243,333 veterans -- about 71 percent of the projected plot allowances for FY 1990. This benefit is provided for nearly all veterans as an alternative to burial in a national cemetery and is a recognition that the national cemetery system will never be extensive enough to provide for burial of all veterans in close proximity to their families. Elimination of this benefit would also destroy the only national registry of veterans' deaths that is available to support vitally important veteran mortality studies -- some of which have been on-going for over 40 years.

Cost: $30.4 million in both BA and outlays as compared with the Administration budget.

Burial benefits and miscellaneous assistance account total cost: $148.8 million in both BA and outlays, which is $30.4 million in both BA and outlays over the Administration budget and the same as the CBO baseline.

Subfunction 702, Veterans Education, Training and Rehabilitation

Readjustment benefits account:

LEGISLATION:

Increase in chapter 31 and 35 allowances: As proposed in S. 13, provide funding for legislation providing for a 13.8-percent COLA, effective January 1, 1990, in the allowances paid to certain service-connected-disabled veterans participating in a rehabilitation program under chapter 35 of title 38, U.S. Code, and to certain service-connected disabled veterans' dependents or survivors pursuing education programs under chapter 35.

According to data from the Bureau of Labor Statistics, the Consumer Price Index rose 13.8-percent from the end of 1984 through December 1988 -- the last year Congress increased these allowances. In addition, the Department of Education reports that the costs of tuition, fees, room, and board associated with higher education continue to increase dramatically. From 1984 through 1988, the cost of higher education has increased 18 percent for public colleges and universities and 28 percent for private institutions.

In recognition of the need to contain costs, the proposed increase does not include an estimate of further inflation (probably in the realm of 4-percent) that will occur during calendar year 1989.

Cost: $10.4 million in both BA and outlays as compared to the Adminstration budget.

Readjustment benefits account total: $455 million in BA and $467 million outlays, which is $10.4 million in BA and $10.4 million in outlays over the Admistration's budget and $16 million in both BA and outlays over the CBO baseline.

Subfunction 703, Hospital and Medical Care for Veterans

The Reagan FY 1990 budget request provides for only a $200-million increase in the medical care account -- less than 2 percent. The request totally ignores the fact of the current budget shortfall and the effects this is having on the VA health-care system. One indication of the inadequacy of the budget request is that OMB reduced the VA's request for this account by $1.19 billion and 12,289 FTEE.

Another factor which apparently was not fairly taken into consideration is the effects of inflation on the VA budget. As is so clearly depicted by chart 1 in the appendix, which compares the medical care budget authority in current and deflated 1977 dollars, VA medical care appropriations have remained at a relatively constant level in deflated dollars during a period in which the VA workload has risen substantially. Between 1977 and 1988, the number of patients treated in VA hospitals increased by 7.3 percent, the number of patients treated in VA nursing homes increased by 140.5 percent, and the number of outpatient visits increased by 42 percent. The VA must compete for supplies, equipment and personnel in a national marketplace and it is, therefore, subject to the effects of rising prices for these items. The

Administration's FY 1990 budget request provides for less than a third of the 7-percent projected rise in the medical consumer price index.

Also, the VA medical system has fared very poorly in comparison to other Federal civilian health-care programs funding (see chart 2 in the appendix). In FY 1978, VA medical programs accounted for 11.3 percent of Federal outlays for civilian health programs. For FY 1989, the VA share has fallen to 7.6 percent and, under the Reagan budget, for FY 1990 it would be about 7 percent. Even under the $512 million supplemental that Administrator of Veterans' Affairs Edward J. Derwinski has requested OMB to approve for FY 1990, most category B and C care would not be possible. According to a March 7, 1989, VA response to a hearing question, ". . . inpatient needs will be served if the $512 million supplemental is appropriated. As to outpatient care, our estimate for outpatient workloads for FY 1990 predicts funds will not be sufficient to meet the demand for outpatient services to be expected from Category B and C veterans. Based on trend lines from FY 1988 and prior years, we estimate 1.5 milion outpatient visits would be needed to meet the projected demand of Category B and C veterans. Most of these veterans wold not receive outpatient care."

Medical Care Account:

Mandatory payroll costs: Provide for full funding of the costs under the medical care account of (1) the January 1989 payraise (2.1 percentage points of the 4.1-percent increase is unfunded -- $64 million), (2) the January 1990 payraise (estimated by CBO to be 4.1 percent -- $187 million), (3) special salary rates -- which are paid to 37,000 employees and are the fastest-growing item in the VA health-care budget ($232 million), (4) within-grade increases ($52.4 million), and (5) federal employee health benefits ($12.3 million). Salaries and benefits for federal employees must remain competitive in order for the VA to retain qualified health-care employees. The Administration's budget does not include adequate funds for these items and thus assumes that the VA will pay the costs out of funds that the Administration is requesting be appropriated for other purposes. As a result, the above funds are being diverted from other items -- such as equipment -- or FTEE are being reduced to fund the higher payroll costs. (Add 2,860 FTEE.)

These unfunded payroll costs amount to $284.5 million in FY 1989 -- 2.1 percentage points of the 4.1-percent January 1989 payraise, $71 million; federal employee health benefits, $57.6 million; within-grade increases, $53.9 million; and special rates, $102 million.

Cost: $547.7 million in BA and $471.0 million in outlays as compared to the Administration budget. ($284.5 million in BA and $245.4 million in outlays in FY 1989.)

AIDS treatment and universal precautions: Provide funding to cover the costs associated with caring for veterans with AIDS, which includes both clinical patient-care items and measures to protect staff and other patients from contracting the disease. The VA furnishes care to about 7 percent of all AIDS patients in the U.S. and will treat approximately 2,400 new veteran-patients with AIDS in FY 1990 as well as provide counseling and testing for the HIV antibody to a substantial number of veterans. For FY 1990, the VA estimates clinical costs for AIDS to be a total of $164.9 million -- $136.5 million for treatment services, $2.6 million for training for health-care workers, and $25.8 million for universal precautions (measures recommended by the Centers for Disease Control and soon to be required by the Occupational Safety and Health Administration (OSHA) to protect health-care employees from contracting infectious diseases). Only $77.7 million is provided for in the Administration budget request for those costs. (Add 850 FTEE.)

The unfunded FY 1989 costs for these items is $32.5 million -- $6.7 million for clinical care and $25.8 million for universal precautions.

> Cost: $87.2 million in BA and $75 million in outlays as compared to the Administration budget. ($32.5 million in BA and $28 million in outlays in FY 1989.)

Restoration of "productivity" cut: Restore personnel reductions imposed by OMB on the basis of its across-the-board policy of imposing 1-percent cuts in personnel employed under every appropriations account, under the rubric of making savings due to increased productivity. The VA's Chief Medical Director (CMD) testified at the Committee's March 6 hearing that adequate numbers of staff would not be available to care adequately for veteran-patients if these cuts were made and that the VA had no specific plan to achieve the productivity increase. (Add 1,962 FTEE.)

Assuming an April 1, 1989, supplemental appropriation, the productivity restoration required for FY 1989 would be $49.2 million (972 FTEE), and the Committee is recommending that.

> Cost: $68.7 million in BA and $59.1 million in outlays as compared to the Administration budget. ($49.2 million in BA and $42.3 million in outlays in FY 1989.)

Readjustment Counseling (Fee Care/Travel): Provide funding, in light of the unmet need demonstrated by the RTI study (see foregoing discussion of PTSD care), for readjustment counseling services provided by contract to veterans living in outlying areas or who otherwise have limited treatment options. The VA has been successful in helping veterans with PTSD through contract fee-basis providers, yet the VA has cut FY 1989 by 21-percent. Additionally, the added funding would address the shortfall in travel funds which have remained static for the Readjustment Counseling Service since 1985 despite a 56-percent increase in that time for overall DM&S travel. This static travel allotment is severely impairing staff training and transfers and recruitment and retention activities.

For FY 1989, the Committee recommends restoring funding for contract care to offset the 21-percent cut in FY 1989.

> Cost: $2.5 million in BA and $2.2 million in outlays as compared with both the Administration budget and the CBO baseline.

Post-traumatic Stress Disorder (PTSD) Care: Provide funding to expand treatment services for Vietnam and other veterans with service-related PTSD. The Research Triangle Institute's (RTI) recently-released report of its 4-year study of the readjustment problems faced by Vietnam veterans found that nearly a half million American male Vietnam theater veterans currently suffer full-blown cases of PTSD while another 350,000 suffer PTSD symptoms which warrant care but are not of sufficient breadth or intensity to be diagnosed as PTSD. The study further notes that half of the male Vietnam theater veterans currently experiencing high levels of PTSD symptoms have never been seen by a mental health professional for their PTSD symptomology and 87 percent have not been seen recently by any health professional concerning their symptoms. These alarming numbers, which have not been disputed in any respect -- and, in fact, were endorsed by the V.A.'s Chief Medical Director in his testimony before this Committee last July -- clearly demonstrate a vast, unmet treatment need among Vietnam veterans more than twenty years after the last American combat troops left Vietnam.

> Cost: $10 million BA and $8.6 million in outlays as compared with both the Administration budget and the CBO baseline.

Drug and Alcohol Treatment: Provide full funding as authorized in sections 2501 and 2502 of the Anti-Drug Abuse Act of 1988 (Public Law 100-690) for both FY 1989 and 1990 in order to allow the VA to restore treatment programs cut in FY 1989 and expand the VA's ability to provide treatment to substance abusers. In the wake of the recent enactment of one of the most sweeping anti-substance abuse laws (Public Law 100-690), the VA must not continue cutbacks in drug and alcohol treatment programs which have already forced the closing of 8 VA programs which annually have had over 4,500 inpatient and more than 8,600 outpatient admissions. In light of the clear public mandate, indicated by the American people in poll after poll, that the federal government do more to stop drug abuse and its debilitating effects on society -- crime, fear, lost wages, wrecked lives, and illness and disability -- access to VA drug and alcohol treatment programs should be expanded, not reduced. (Add 332 FTEE.)

For FY 89, the Committee recommends full funding for treatment and $1 million for the evaluation authorized of the effectiveness of VA substance abuse programs. (Add 220 FTEE.)

Cost: $16 million in BA and $13.8 million in outlays as compared with both the Administration budget and the CBO baseline.

Homeless Veteran Domiciliary-Bed Program: Provide full funding in FY 1990 -- as urged by President Bush -- of the McKinney Amendments Act of 1988 (Public Law 100-628), which (in section 801) authorizes the appropriation of $15 million for both FYs 1989 and 1990, in addition to sums appropriated under other authorities, for conversion of underused space for domiciliary beds for homeless veterans. According to VA statistics, the VA last year converted underused space into 10 new domiciliary facilities with over 500 beds and over 300 beds in 10 existing domiciliaries, for a total of well over 900 domiciliary beds now operating for homeless veterans. Over 2,800 veterans have used this program, and preliminary reports indicate that it has been a great success. (Add 329 FTEE.)

For FY 1989, the Committee recommends funding to add homeless programs at seven existing domiciliaries and create two new domiciliary facilities, with a total of up to 300 new beds, to provide care to homeless veterans.

Cost: $15 million in BA and $12.9 in outlays as compared with both the Administration's budget and the CBO baseline. ($4.7 million in BA and $4.0 million in outlays in FY 1989.)

Education and training: Provide funding to maintain the FY 1989 FTEE level of medical and dental residents, psychology interns and other trainees, and instructional support. These FTEE are necessary to maintain the quality of care furnished to veterans and to restore the VA workload to FY 1988 levels. At the Committee's March 6 hearing, a representative of the American Association of Medical Colleges testified that such a reduction would lead to a progressive attrition of the attending physician staff and the loss of residency accreditations. (Add 268 FTEE.)

Cost: $14.5 million in BA and $12.5 million in outlays as compared to the Administration budget.

Waste disposal: Provide funding to implement soon to be required OSHA regulations to ensure better waste disposal systems. The disposal of medical waste -- needles, syringes, dressings, and other such items -- has become a serious problem in the nation. Medical waste which is not properly disposed of has the potential of spreading infectious diseases. In response, OSHA is developing regulations, which seem likely to become effective approximately halfway through FY 1990, to ensure the implementation of needed improvements in waste disposal systems, but no funds for these additional costs, estimated by the VA to be $33 million for the first full year, are included in the Administration budget.

Cost: $16.5 million in BA and $14.2 million in outlays as compared to the Administration budget.

Restore workload levels: Provide funding to restore workload levels to those achieved in FY 1988 -- in lieu of decreasing by 20,844 the number of veterans treated in VA hospitals, by 7,420 the number of patients residing in domiciliary facilities, and reducing by 3,449 the average daily census in community nursing home programs, as proposed by the Administration. In response to a January 1989 survey of 58 representative VA medical centers, 38 have responded to date, as follows: 13 are limiting their inpatient treatment to category A patients only; 15 are limiting their outpatient treatment to category A patients only; and 12 are limiting both their inpatient and outpatient treatment to category A patients only. Additionally, 12 of these facilites have closed nursing home care units or reduced their community nursing home contracts, 5 have closed wards or reduced beds, 4 have cut or closed their alcohol/drug treatment programs, and 2 have discontinued or reduced services in clinics. The Committee has no reason to believe that these figures are not representative of the system as a whole. (Add 2,595 FTEE.)

Cost: $200.7 million in BA and $172.6 million in outlays as compared to the Administration budget.

Tuition reimbursement: Provide funding to continue the discretionary tuition reimbursement program enacted in Public Law 100-322 in order to provide recruitment and retention incentives needed to deal with deficiencies in the numbers of registered nurses in the VA. The nursing shortage has adversely affected the VA health-care system just as it has the rest of the health-care industry in the nation. Because of the lower VA salaries and the less attractive work environment in some localities and because of lower nurse-to-patient ratios in VA facilities nationally, it is necessary that the VA be as competitive as possible in all other respects with the private sector where tuition reimbursements benefits are widely offered.

Cost: $5 million in BA and $4.3 million in outlays as compared to the Administration budget.

Health-care personnel bonuses: Provide funding to implement the discretionary bonus program enacted in section 212 of Public Law 100-322 in order to enhance recruitment and retention of health-care professionals within the VA. The salary, work environment, and staffing ratios are often inadequate when compared to the private sector, therefore, additional incentive to work in the VA is necessary. Because funds have not been specifically appropriated for this purpose, the program has not been implemented. The Committee believes that this program could be particularly effective in selected facilities and locations.

Cost: $5 million in BA and $4.3 million in outlays as compared to the Administration budget.

Reduce equipment backlog: Provide funding to begin to reduce the enormous and growing equipment backlog in the VA system. Because funds have not been otherwise available, money earmarked for equipment purchases has been diverted to pay for personnel and other immediate costs. At the Committee's September 9, 1988, hearing, it was established that this "cannibalizing" of equipment funding had been occurring for a number of years and that the FY 1989 backlog was projected by the VA to be $530.4 million. To provide funding for personnel costs, under the medical care account, the VA has diverted $132.065 million from equipment accounts in FY 1989. If the funds for personnel costs are replaced through a supplemental appropriation, this backlog will be reduced by that amount. This backlog will increase to $713.2 million by the end of FY 1990 unless additional funds are appropriated.

Cost: $100 million in BA and $86 million in outlays as compared to the Administration budget. ($100 million in BA and $86 million in outlays in FY 1989.)

DHCP -- Medical Automated Data Processing (ADP) Systems: Provide funding to restore the Administration's proposed FTEE reduction imposed as a consequence of installing any ADP system, create a functional ADP security system, make necessary expansions to Information Systems Center staffing, and purchase and test 2 Integrated Hospital Systems pursuant to the Appropriations Committees' mandate:

Restore proposed computer-implementation cut. The Administration's budget projects "savings" of $36 million and 659 FTEE from the continued expansion of the Decentralized Hospital Computer Program (DHCP). These "savings" are projected due to the arbitrary requirement in OMB circular A-11 that new ADP systems show a net savings of 10 percent. However, the firm of Price Waterhouse (PW) conducted a study of DHCP and found that the bulk of person-time saved has been used either for new activities that had not been fully funded, e.g., implementation of income-eligibility criteria and third-party billing, or for analyzing DHCP-produced data, which had not been previously available, so as to improve patient-care management. Moreover, any personnel savings actually identified were in fractional FTEE which are very difficult to realize in a hospital environment. (Add 659 FTEE.)

Create a functional ADP security system. The Computer Security Act of 1987 (Public Law 100-235) requires Federal agencies and departments to establish and administer functional ADP security systems, although no funds have been appropriated to the VA for this purpose. Further, the Comptroller General's July 1987 report, entitled "Hospital ADP Systems: VA Needs to Better Manage Its Decentralized System Before Expansion", found that the VA did not appropriately meet requirements for risk analysis and contingency planning in its ADP security system. The potential consequences of providing insufficient resources for ADP security are considerable. VA internal analyses have found that it is less costly to prevent security incidents than to repair the damage caused by them in its large and vulnerable health-care system, which spans over 450 sites and has a workforce of 200,000 employees and more than 150,000 trainees and volunteers per year. In addition, the DHCP system provides access to 800 minicomputers, 40,000 terminals, and 20,000 printers linked in a national network of hospitals which daily generate sensitive data on patients and other data for national data bases. The shift to advanced automated systems -- with thousands of work stations -- has changed the dynamics of control from that used in previous manual systems. The Committee recommends an appropriation of $36 million for staffing for full-time ADP security officers in the VA health-care system and a national team of technical advisors and incident investigators to comply with Federal law. (Add 196 FTEE.)

Expand Information Systems Center staffing. Information Systems Centers (ISC) assist VA Medical Centers in installing, and making operational, medical ADP systems. Additional ISC resources, $2.9 million, are needed to implement the directive in the Joint Explanatory Statement accompanying the conference report on H. J. Res. 395, the FY 1988 Continuing Resolution (H. Rept. No. 100-498, p. 863), that VA comply with its implementation schedule for the DHCP "CORE Plus 8" modules. As a consequence, the size and capability of DHCP will be more than doubled in FY 1990 and the complexity of its systems-management operations will increase dramatically, creating a substantial increased need for ISC capability to support the system. (Add 61 FTEE.)

Purchase and test two Integrated Hospital Systems. The same Joint Explanatory Statement (p. 865) also directed the VA to establish two additional IHS sites at tertiary hospitals for the purpose of an on-going IHS test of the applications of the technology offered by commercial vendors. However, Congress appropriated no funds for this purpose and if none are appropriated the VA will have to reprogram $5.9 million available from direct patient care to purchase and test commercial IHS systems at the Brooklyn, New York, and Chicago (Lakeside), Illinois VAMCs.

Cost: $53.4 million in BA and $45.2 million in outlays as compared to the Administration budget.

Postgraduate and Inservice Training: Provide funding for the continued education and training of VA health-care employees. Medical knowledge and techniques change at a very rapid pace, and health-care professionals must be kept up-to-date in order to provide quality health care. The Administration budget does not include adequate funds to permit employees to maintain their skills and knowledge.

Cost: $6 million in BA and $5.2 million in outlays as compared to the Administration budget.

Prosthetic appliances and services: In line with specific recommendations in the Independent Budget, provide funding to reduce the prosthetic appliance backlog and to overcome deficient staffing levels within that service. Currently, within the VA, the waiting time for a prosthetic device can be as long as 6 months, resulting in lowered quality of patient care. According to the Independent Budget, at the end of fiscal year 1987, 5,200 prosthetic orders were backlogged and this number had risen to 7,550 by the end of fiscal year 1988, a 45-percent increase in the number of orders that were not filled due to funding deficiencies. (Add 50 FTEE.)

Cost: $4 million in BA and $3.4 million in outlays as compared to the Administration budget.

LEGISLATION:

Dental care: The Administration is proposing to increase from $500 to $1,000 the threshold amount for determining when dental treatment can be performed on a fee basis by a private dentist without a second opinion by another dentist, generally a VA staff dentist (estimated savings of $500,000). Additionally, the VA is proposing to permit dental treatment on an outpatient basis, rather than on an inpatient basis, to veterans who are scheduled to receive certain hospital treatment (estimated savings of $200,000). The Committee believes that the latter proposal is cost-effective and will save the VA unnecessary expense by making it possible to avoid situations in which the veteran is hospitalized for a longer period of time than medically necessary simply to provide dental care for which the veteran is not now eligible on an outpatient basis. However, in regard to raising the threshold amount for a second opinion, the Committee is not persuaded at this time that foregoing a second, generally in-house opinion will produce the projected savings.

Cost: $200,000 in BA and $200,000 in outlays as compared to the Administration budget.

Increased deductibles and copayments: The Administration is proposing partially to offset the cost of medical care by (1) requiring veterans without service-connected disabilities, in the middle or higher income categories -- categories B and C -- to make outpatient visit and prescription copayments and to make a per diem payment for inpatient treatment and (2) require reimbursement from veteran-held private insurance plans, for VA care provided to service-connected veterans rated at 0-20 percent being treated for nonservice-connected disabilities. The Committee is not prepared to accept this proposal at this point and will evaluate this legislation, when submitted, at legislative hearings later this year.

Cost: $79.1 million in both BA and outlays as compared to the Administration budget -- $39.9 million in both BA and outlays for a decrease in workload as a result of the increased copayments and $32.9 million in both BA and outlays in additional receipts.

Special Committee on Post-Traumatic Stress Disorder (PTSD): Section 202 of S. 13 would extend the reporting requirements of the VA's Special Committee on PTSD, first established pursuant to Public Law 98-528 to carry out a continuing assessment of the capacity of the VA to provide diagnostic and treatment services for PTSD to eligible veterans, to require a report of the Special Committee's assessment of the RTI study (see foregoing PTSD care discussion) in June 1989 and two further reports assessing the VA's capacity for treatment of veterans with PTSD, in February of 1990 and 1991. The Committee expects to report this legislation favorably as it did in 1988 in S. 2011 (section 602).

Cost: $0.5 million in both BA and outlays as compared to the Administration budget.

Assistive Animals: Sections 214 and 215 of S. 13 would require the VA to conduct a 4-year pilot program under which the agency would (1) provide specially trained assistive monkeys to not more than 20 veterans who have service-connected disabilities rated 50 percent or more disabling and are quadriplegic; (2) allow the VA to provide up to 10 specially trained service dogs who would benefit from assistance from such a dog; facilitate the provision of monkeys to not more that 20 other veterans who are quadriplegic; (3) require the agency to provide signal dogs to not more than 20 veterans who have service-connected hearing impairments and are in the need of the assistance of such dogs; and (4) require the Secretary to conduct an evaluation of this program. The Committee expects to report this legislation favorably as it did in 1988 in S. 2011 (section 615).

Cost: $0.5 million in both BA and outlays as compared to the Administration budget.

Study of Psychological Problems Among Asian-American, American-Indian, Native-Hawaiian, other Native-American Pacific Islander (including American Samoan Native), and Alaska Native Vietnam Veterans: Section 203 of S. 13 would require the Secretary to conduct a study of and prepare a report on the prevalence of PTSD and other post-war psychological problems among the various ethnic groups not included in the RTI study, which demonstrated a significantly higher degree of PTSD among the ethnic populations it did include in the study (black males and Hispanic males) than the white population. The Committee expects to report this legislation favorably as it did in 1988 in S. 2011 (section 603).

Cost: $1.0 million in BA and $0.9 in outlays as compared to the Administration budget.

Homeless Chronically Mentally Ill (HCMI) Program: Provide full funding in FY 1990 -- as urged by President Bush -- of the McKinney Amendments Act of 1988 which authorizes the appropriation of $15 million for both FY 1989 and 1990, in addition to sums appropriated under other authorities, for contract residential care for chronically mentally ill veterans. The VA's preliminary reports on this program, which is a community-based program combining aggressive outreach to veterans with intensive case management and time-limited care in contract residential treatment centers, contains very encouraging data. In the first 14 months of the program, over 13,500 homeless veterans were contacted through programs operated at 43 VA sites. Of the veterans contacted, an estimated 10,500 received formal intake assessments. The assessments clearly show that the program is reaching those it was intended to reach: profoundly homeless, extremely poor, and chronically mentally ill veterans. Of those veterans assessed, approximately 1,350 have been placed in psychiatric residential treatment. As with the homeless domiciliary program, full funding of the HCMI program is consistent with President Bush's announced backing of full funding for the McKinney Act. (Add 126 FTEE.)

For FY 1989, the Committee recommends funding to create HCMI programs at nine new locations.

Cost: $15 million in BA and $12.9 in outlays as compared with both the Administration's budget and the CBO baseline. ($5.3 million in BA and $4.6 million in outlays in FY 1989.)

Mental Illness Research, Education, and Clinical Centers (MIRECCs): S. 86 would require the Secretary to designate not more than five VA health-care facilities affiliated with accredited medical schools or graduate schools of psychology, as MIRECCs. This legislation is designed to raise the quality of VA psychiatric care, an area that has generally been assigned a low priority by DM&S; assist in the recruitment and retention of qualified professionals, a problem throughout DM&S but felt very acutely in psychiatric care; and encourage needed psychiatric research, also a generally neglected and underfunded area in VA research activities.

Cost: $3.1 million for BA and $2.7 million in outlays as compared to the Administration budget.

Recruitment and retention: Legislation will be introduced to provide for a more flexible mechanism for maintaining competitive salaries within the VA health-care system and to relieve the pay compression created by special salary rates. Currently, as discussed above in several places, the VA is unable to recruit and retain adequate numbers of certain types of health-care staff, especially registered nurses, because VA salaries are not comparable to those in the private sector. Various approaches are necessary to overcome the salary and working-condition disparities, and the legislation will provide for such a variety of approaches.

Cost: $70 million in BA and and $60.2 million in outlays as compared to the Administration budget.

Health Manpower Training Grants: In order to assist VA-affiliated colleges and universities preparing health-care professionals, other than physicians and dentists, to expand and improve their programs, the Committee plans to consider legislation shortly to be introduced (in the same form as the Senate passed legislation in S. 2011 (section 624) of October 1988) to authorize appropriations for grants to such institutions in accordance with the provisions of subchapter III of chapter 82 of title 38.

The Committee expected to report such legislation formally.

Cost: $5 million in BA and $4.3 million in outlays as compared to the Administration budget.

Medical care account total: $11,942.3 million in BA and $11,800.6 million in outlays, which is $1,241.5 million in BA and $1,138.6 million in outlays over the Administration budget and $634.4 million in BA and $610.6 million in outlays over the CBO baseline.

Medical and Prosthetic Research Account:

Restoration of operational cut: Restore the funds cut in the medical and prosthetic research account operating level proposed by the Administration. Such a cut could hurt the VA's ability to recruit and retain physicians, especially some of the VA's most highly qualified physicians, who already have major concerns about the adequacy and competitiveness of VA salaries. At the Committees March 6 budget hearing, the American Association of Medial Colleges testified: "Inadequate funding may endanger the success of research programs as well as the valuable affiliation arrangements. Medical school leaders acreoss the country have expressed concern and dismay at the eroding conditions in facilities." (Add 616 FTEE.)

Cost: $11 million in BA and $8.4 million in outlays as compared to the Administration budget.

Medical and prosthetic research account total: $208.3 million in BA and $209.4 million in outlays, which is $11 million in BA and $8.4 million in outlays over the Administration budget and $22.1 million in BA and $16.9 million in outlays under the CBO baseline.

Medical Administration and Miscellaneous Operating Expenses Account:

Quality assurance (QA) rersource center: Provide funding for the implementation of a QA resource center to facilitate the education and training of VA staff and to advance research in the QA area. Ensuring the quality of VA-furnished health care is an essential component of the services which are provided within the system, especially at a time when cost-containment efforts are being stressed throughout the system by the VA's Resource Allocation Methodology and in view of the current budget shortfall. The field of study relating to these matters is relatively new and changing. (Add 16 FTEE.)

Cost: $1.2 million in BA and $0.9 milion in outlays as compared to the Administration budget.

Mandatory payroll costs: Provide for full funding of the January 1989 payraise ($900,000 -- only 2.1 percentage points of the 4.1-percent payraise were funded) and full funding of the January 1990 payraise ($2 million -- estimated by CBO to be 4.1 percent). Salaries and benefits for federal employees must remain competitive in order for the VA to retain qualified employees. The Administration budget does not include adequate funds for these items and assumes that the VA will be able to absorb the costs. The cost of such absorptions is a reduction in an effective administration for which there is no leeway.

Cost: $3 million in BA and $2.3 million in outlays as compared to the Administration budget.

Medical administration and miscellaneous operating expenses account total: $52.7 million in BA and $51.7 million in outlays, which is $4.2 million in BA and $3.2 million in outlays over the Administration budget and $1.3 million in BA and $1.1 million in outlays under the CBO baseline.

Major Construction Account:

Construction Program Increase: Provide funding for additional unspecified construction projects, including two nursing home projects which received the VA's highest prioritization methodology scores and other unspecified high-priority facility improvement projects.

Two nursing home projects -- at the Salisbury, NC, and Lake City, FL, VA Medical Centers -- were listed first and second, respectively, on the VA's list of projects submitted to OMB for inclusion in the FY 1990 budget. The percentage of veterans at least 65 years old is expected to increase over 50-percent in the next 10 years. This demographic change has created a fast-growing demand on the VA for new nursing home care units. The demand will continue to increase over the next 25 years.

The funding for facility improvement projects is necessary to maintain a regular schedule of capital modernizations, clinical improvements, and patient safety modifications. This necessity is underscored by the distressing statistic that over 50 percent of the 132 medical centers built before 1970 received a fair, poor, or even failing rating on their physical condition in a recent VA Capital Facilities Study. Without these improvements, many VA medical centers -- more than half of which are over 30 years old -- will become outdated and eventually require the greater expense of total replacement.

Cost: $95 million in BA and $3.1 million in outlays as compared to the Administration budget.

Major Construction Account Total: $460.8 million in BA and $445.1 million in outlays, which is $95 million in BA and $3.1 million in outlays over the Administration's budget and $82.8 million in BA and $2.7 million in outlays over the CBO baseline.

Minor Construction Account:

Construction program increase: Provide funding for additional unspecified construction projects, focusing on conversion of hospital beds to nursing-home-care beds and other backlogged high priority facility-improvement projects. According to VA testimony at the Committee's March 6 budget hearing, the President's budget request was approximately $38 million less than the VA's request to OMB. Most urgently needed are projects to focus on conversion of hospital beds to nursing-home-care beds and other high priority projects in the areas of (a) clinical care projects such as upgrading intensive care units, improving ambulatory care areas, and addressing deficiencies in radiology, laboratories, and other clinical services, and (b) patient environment projects such as renovating patient nursing units to provide appropriate patient privacy in bedrooms, bathing, and toilet facilities. A backlog of approximately $60 million exists in minor health-care projects through FY 1990. This backlog represents projects which have been funded through the design phase, but for which construction funds are not available.

Cost: $20 million in BA and $3.1 million in outlays compared to the Administration budget.

Minor construction account total: $134.7 million in BA and $137.2 million in outlays, which is $20 million in BA and $3.5 million in outlays over the Administration's budget and $16.6 million in BA and $2.8 million in outlays over the CBO baseline.

State Home Construction Account:

State Home construction grants: Provide increased funding for the program of matching grants for State Home construction projects to encourage and enable States to increase their participation in caring for our Nation's aging veterans. The VA's budget books (page 9-1) stress the VA policy to provide "a greater share of V.A.-sponsored nursing home care through less expensive State and community programs." The Committee believes that a greater commitment to the construction program on the part of the VA will be a cost-effective investment in providing greater nursing home care for veterans. Currently, this program has a backlog of $119.6 in approvable applications.

Cost: $8 million in BA and no cost in outlays over the Administration budget.

State Home construction account total: $50 million in BA and $38.1 million in outlays, which is 8 million in BA and no increase in outlays over the Administration budget and $6.3 million in BA over the CBO baseline and the same as the CBO baseline in outlays.

Subfunction 704, Veterans Housing

Loan Guaranty Revolving Fund (LGRF) account:

LEGISLATION:

One-percent fee: Both the Bush budget and the Committee would extend the one-percent fee on VA-guaranteed loans, which under current law would expire on October 1, 1989. (The Reagan budget would have extended and increased the fee to 3.8 percent.)

Cost: No cost as compared to the Bush Administration budget and savings of $169 million in both VA and outlays as compared to the CBO baseline.

Administration Proposed:

Credit subsidy: The Committee notes that serious questions have been raised regarding the impact of this Administration proposal, which has not yet been submitted. The Committee, therefore, cannot at this time recommend that funding for this proposal -- $883 million in BA and $881 million in outlays according to the Administration's budget (not reestimated) -- be provided.

Savings: $883 million in BA and $881 million in outlays as compared to the Administration budget and no savings as compared to the CBO baseline. (As noted above, the Committee has disregarded these savings in its budget totals and the accompanying tables.)

Extension of authority to sell vendee loans without recourse: The Administration states that it will propose legislation to grant the Secretary more flexibility to sell vendee loans (loans made to purchasers of VA-acquired foreclosed properties), with or without recourse -- that is, without a repurchase agreement which would make the VA ultimately liable for a subsequent default by the new mortgager. Current law prohibits the selling of vendee loans after October 1, 1989, without recourse unless they can be sold for par value. In effect, in the absence of a legislative change, the VA will be precluded from selling vendee loans without recourse after FY 1989.

The Committee has been very concerned over the Administration's policy of selling vendee loans without recourse. In May 1987, the VA attempted one sale of vendee loans without recourse. Despite extensive advertising of and major preparations for the sale, the sale was a failure. The VA received bids for only about $8 million of the $84 million of the vendee loans it planned to offer for sale, and the amount of those bids ranged from only 15 percent to 65 percent of the par value of the loans. As a consequence, the VA withdrew all of the loans from sale.

Since that sale, however, the VA has hired Kidder, Peabody & Co. to serve as its financial advisor. The VA has held three without-recourse sales, two in 1988 and one in February 1989, using a two-tiered approach with a subordinate pool of loans set aside to cover any losses due to delinquencies or foreclosure attributable to loans securing the senior certificates. Because the VA has not yet sold the subordinate pool, the actual -- as opposed to the immediate cash -- price obtained for the loans cannot yet be determined, but the average immediate net return from the first two sales (information about the February sale is not yet available) to the VA was approximately 55.5 percent of par.

According to Kidder, Peabody & Co., the VA would have realized 92 and 91 percent, respectively, of the face value of the loans sold at the first two sales at the time of sale if they had been sold with repurchase agreements. Sales without recourse thus appear to have resulted in a loss of cash proceeds to the Government of over $180 million. At the same time, because the VA retained ownership of the subordinate certificates, the VA retained substantial potential liability -- which might equal the liability the VA would have had if the loans had been sold with recourse -- for the loans.

The Committee does not believe that a permanent and rigid limitation on without-recourse sales is the best public policy. A without-recourse sale is not disadvantageous if the sale price of the loans is not unduly discounted from what the price would be if the loans were sold "with recourse". The Committee thus would not necessarily oppose legislation to allow the VA to sell loans with or without recourse if, under that legislation, the VA were to be freed from coercion -- based on an OMB or Administration policy disfavoring with-recourse sales -- to make all sales without recourse and could base its decision on a case-by-case determination as to which approach would produce the maximum return to the LGRF.

However, the Committee does not support the Administration's proposed legislation -- which does not appear to contain any guidelines to ensure that the VA obtains optimal value for the loans and that the long-term stability of the LGRF is protected -- and thus does not include in its budget recommendations estimated savings from that legislation. The Committee has significant concerns that under the Administration-proposed legislation the VA would continue the two-tiered approach described above -- which would have the likely effect of significantly reducing both short-term and, very possibly, long-term cash flow to the Revolving Fund compared to with-recourse sales while subjecting the Government to the same liability it would have were the VA to sell its vendee loans with recourse.

Cost: $496 million in both BA and outlays as compared to the Administration budget and no cost as compared to the CBO baseline.

Loan guaranty revolving fund account total: $1.25 billion in BA and $1.33 billion in outlays, which is $496 million in both BA and outlays over the Administration's budget and $169 million in both BA and outlays less than the CBO baseline.

SUBFUNCTION 705, Other Veterans Benefits and Services

General Operating Expenses Account:

Board of Veterans Appeals: Provide sufficient funds to bring the BVA's average response time back down to its timeliness standard of 136 days. The FY 1990 Reagan budget predicts that, with the requested level of funding, the BVA's average response time will balloon to 188 days -- 66 more days than in 1985 and 33 more days than expected in FY 1989. (Add 42 FTEE.)

Cost: $1.9 million in BA and $1.7 million in outlays as compared with both the Administration budget and the CBO baseline.

General Counsel: Provide sufficient funds to ensure that the VA's Office of the General Counsel (GC) can carry out its new responsibilities in representing the VA before the new U.S. Court of Veterans Appeals. Although the budget request includes $2.26 million for 28 more FTEE for this purpose for FY 1990, the VA request to OMB was for $4.25 million and 80 FTEE. The Committee is convinced that the amount the Committee is proposing is the absolute minimum needed by GC to carry out its new statutory responsibilities.

Despite an agency request to OMB of $1.34 (17 FTEE) for an FY 1989 supplemental, OMB has requested no additional resources for GC for FY 1989 for this purpose. (Add 12 FTEE.) For FY 1989, the Committee recommends $1 million in BA and $900,000 in outlays and 10 FTEE for this purpose.

Cost: $1 million in BA and $.9 million in outlays as compared with both the Administration's budget and the CBO baseline. ($1 million in BA and $.9 million in outlays in FY 1989.)

Benefits Administration Staffing Needs: Restore Department of Veterans Benefits (DVB)/Veterans Benefits Administration (VBA) staffing cuts in both FYs 1989 and 1990 and provide additional staffing to improve claims adjudication in FY 1990.

DVB staffing has been spread very thin in recent years and -- despite the continuing high numbers of loan guaranty applications, the demand for increased manpower to deal with increased numbers of foreclosures and property acquisitions, steadily declining timeliness and quality in general claims adjudication, and the increasing applications under the Montgomery GI Bill -- the Administration proposes a 323-FTEE reduction in DVB staffing. (Although the Adminstration's budget attributes 167 of the 323 FTEE proposed to be cut to increased productivity as a result of modernization, the full amount of funding needed to carry out that modernization -- $30 million -- has not been included in the Administration's budget (as discussed below).)

Since FY 1982, DVB staffing has been cut by 25 percent (from 4,832 FTEE to 3,637 FTEE in FY 1988) and, as a result, the VA has been substantially prevented from meeting its standards for quality and especially timeliness in the adjudication of veterans' claims for benefits. For example, during FY 1988 only 27.5 percent of original compensation claims were completed within 90 days, compared to 56.3 percent in FY 1982. According to the VA, the backlog of pending compensation cases doubled from FY 1988 to FY 1989, and it may double again by the end of 1990, according to the Independent Budget.

The Committee, therefore, is recommending the additional FTEE required to help the VA reverse the substantial decline in timeliness (portrayed in charts 3 and 4 in the appendix) and, to some extent, quality in DVB claims adjudication.

At the Committee's March 6 hearing, Administrator Derwinski stated that he had submitted to OMB a request for supplemental funding of a total of $10 million for FY 1989 for DVB staffing. The Committee is recommending FY 1989 supplemental appropriations of $15 million -- since the funding is not being appropriated at the beginning of the fiscal year -- to alleviate the $21 million shortfall which the VA estimates DVB is facing for FY 1989.

Cost: $8 million in BA and outlays as compared to the Administration budget. ($15 million in BA and 13.5 million in outlays in FY 1989.)

Increase Loan Guaranty Service Staffing: Provide $10 million in both BA and outlays and 244 FTEE for the Loan Guaranty Service.

Loan guaranty staffing cuts have contributed to the substantial financial problems now confronting the loan guaranty program. From 1978 to 1988, loan guaranty staffing was reduced from 2,470 FTEE to 2,100 FTEE. During that same time, however, the number of claims filed increased from 14,388 to 50,285 and the VA's inventory of foreclosed properties increased from 11,291 to 21,161.

As a result, for example, the VA has been unable to provide adequate levels of financial counseling to veterans in default on their VA-guaranteed loans, which has resulted in needlessly high numbers of those loans going into foreclosure, at great cost to the veterans who lose their homes and to the VA. Also, the VA's inability promptly to process bids on VA-acquired foreclosed properties has also caused sales of such properties to fall through, resulting in the VA paying the significant costs of holding such properties.

Additional funding for loan guaranty functions, in addition to providing improved services for veterans, would be a cost-effective means to reduce foreclosures on guaranteed loans and to increase receipts through improved management and disposition of foreclosed properties. It is estimated by the VA that a 2-percent increase in the cure rate for defaulted loans could generate $56 million in savings, far offsetting the cost of additional FTEE. The 244 FTEE which the Committee recommends adding, at a cost of $10 million, are estimated by the VA to generate $82 million in savings.

At the Committee's March 6 hearing, Administrator Derwinski stated that he had submitted to OMB a request for an increase in FY 1990 of this amount.

Cost: $10 million in BA and outlays as compared to the Administration budget.

ADP Modernization in DVB/VBA: Provide funding for necessary contract support for the 12-Point ADP Modernization Plan and to acquire equipment to implement the Automated Information Exchange System (AIES).

Contract support for the 12-Point Plan. The Administration budget request of $25 million for this purpose is $5 million short of the amount needed for contract support to enable the VA to make major computer acquisitions by FY 1992 in accordance with its established DVB ADP Modernization Plan and its Information Systems Strategic Plan. This support is needed to (a) develop a bridge between the existing systems and the modernized system, including detailed requirements for the selection of the configuration and the preparation of acquisition schedules, (b) develop the final comprehensive requirements for the replacement benefits delivery network, and (c) develop strategies, projects, and tasks critical to the acquisition process and transition to the new system. This $5 million is also necessary, as discussed above, to permit the savings of 167 FTEE due to modernization that is claimed in the budget.

Acquire equipment for the AIES. The budget omits the $5.5 million needed to acquire the equipment to implement AIES nationwide. This equipment is necessary to establish a cost-effective system for enabling VA regional offices and medical centers to exchange beneficiary information by computer, thus enhancing the timeliness and reliability of the exchange.

Cost: $10.5 million in BA and $9.5 million in outlays as compared to the Administration budget.

Vocational Rehabilitation Program Staffing Needs: Provide funding for 76 vocational rehabilitation specialists and 45 counseling psychologists:

Vocational Rehabilitation Specialists (VRS). Included in the President's budget is a recommendation to reduce the Vocational Rehabilitation and Counseling (VR&C) program by 5 FTEE despite the fact that VRSs are handling an unmanageable 201 cases per specialist. Such a caseload is largely responsible for the VRSs frequent inability to provide employment services to veterans who require such assistance. The caseload and lack of employment service has lead to an increase from 155 days in FY 1984 to 284 days in the first quarter of FY 1989 in the average elapsed time from when the veteran completes his or her rehabilitation program and becomes ready to seek employment until employment for at least 90 days is achieved.

Because vocational rehabilitation services carry out our nation's commitment to those to whom we owe the most -- service-connected disabled veterans -- it is imperative that services provided under this program meet acceptable standards of timeliness and quality. In order to accomplish this, the Committee rejects the Administration's proposal that VR&C FTEE be reduced and instead recommends (a) 76 additional FTEE for VRSs in order to reduce the caseloads to a more manageable 125 per specialist, and to reduce from 284 days to 194 days the elapsed time from when the veteran is ready to seek employment until the veteran has been employed for 90 days; and (b) 45 additional FTEE for CPs in order to reduce from 96 days to 60 days the disabled veteran's wait for an initial evaluation.

Counseling Psychologists (CPs). Since FY 1984, the Vocational Rehabilitation and Counseling staffing level has been reduced from 621 FTEE to the current level of 574 FTEE. An analysis of caseload and timeliness statistics clearly demonstrates that the downward trend in FTEE has resulted in an unacceptable level of service. For example, under current staffing levels, a service-connected disabled veterans who applies for training under chapter 31 must wait an average of 96 days to see a CP for initial evaluation and planning services. Chart 5 in the appendix demonstrates the relationship between reduced FTEE and the deterioration in timeliness.

The lag time between application for vocational rehabilitation and the first appointment with a CP has two adverse effects according to professionals in the field. First, the applicant's level of motivation and morale is reduced because the impression given is that the system is unresponsive and "nobody cares". Secondly, the disabled individual is prone to depression or an increase in psychosomatic problems, both of which render more difficult the process of vocational re-entry into competitive employment.

Cost: $4.2 million in BA and $3.8 million in outlays as compared to the Administration budget.

Program analysis and evaluation: Provide funding for evaluations of VA programs required under section 219 of title 38, United States Code. Such evaluations would be carried out by independent contractors. The President's budget includes a plan to eliminate the Office of Program Analysis and Evaluation (PA&E) and to provide for the Office of Inspector General to perform contract program evaluations heretofor conducted by PA&E staff. However, no funds are designated for these statutorily-mandated evaluations. Such evaluations contain valuable analyses and evaluations of programs provided for by the Congress under title 38 and are useful to the Committee in determining the effectiveness of VA programs in achieving their stated goals, as well as of the policies underlying those programs.

Cost: $2.5 million in BA and $2.3 million in outlays as compared to the Administration budget.

General operating expenses account total: $837.3 million in BA and $820.6 million in outlays, which is $38.1 million in BA and $26.4 million in outlays over the Administration's budget and $25.4 million in BA and $14.9 million in outlays over the CBO baseline. ($15 million in BA and $13.5 million in outlays in FY 1989.)

U.S. Court of Veterans Appeals Account:

U.S. Court of Veterans Appeals: Provide sufficient funding for the operation of the U.S. Court of Veterans Appeals, which was created in Public Law 100-687 and is to begin hearing cases on September 1, 1989. Although the budget request included some funds for the Court for FYs 1989 and 1990 ($1.2 million and $1.5 million, respectively), these amounts will not be sufficient to start up and operate the Court. In accordance with a preliminary personnel plan, space assessment, and operating budget prepared for the Court by the General Services Administration at this Committee's request, the Court requires an additional $1.9 million for FY 1989, which would include $1.6 million for initial non-recurring items. Assuming the FY 1989 funding is obtained, Court operations in FY 1990 are estimated to cost $6.3 million.

U.S. Court of Veterans Appeals account total: $6.3 million in BA and $5.7 million in outlays, which is $4.8 million in BA and $4.4 million in outlays over the Administration's budget and $6.3 million in BA and $5.7 million in outlays over the CBO baseline.

Function 500, Education, Training, Employment, and Social Services

Veterans' Employment and Training Programs:

Homeless Veterans' Reintegration Projects: Although this program falls under the jurisdiction of the Senate Committee on Labor and Human Resources, this Committee wishes to express its view that this Department of Labor program, enacted as the result of the Murkowski-Cranston floor amendment in the 100th Congress, should be funded for FY 1990 at a level of $2.2 million, thus including the $600,000 added in the Bush budget. About one in three homeless individuals is a veteran.

NEED FOR FY 1989 SUPPLEMENTAL APPROPRIATIONS

Medical Care Account

Since the Committee's September 9 and 20 hearing on the adequacy of VA health-care resources, several estimates of the VA's FY 1989 medical care budget shortfall have been generated. After considerable study and analysis of these projections, the Committee believes that the VA has an urgent need for a supplemental appropriation of $618.4 million (assuming an April enactment date) for the medical care account. The current very serious situation in the VA health-care system has been described and discussed above under the description of subfunction 703.

As previously indicated in that discussion, this FY 1989 supplemental appropriation would include the following items: FY 1989 unfunded payraise costs, $71 million; Federal Employee Health Benefits, $57.6 million; within-grade increases, $53.9 million; restoration of productivity cut, $49.2 million; readjustment counseling, $1.2 million; AIDS/clinical treatment, $6.7 million; AIDS/universal precautions, $25.8 million; homeless programs, $10 million; drug and alcohol programs, $16 million (220 FTEE); special rates, $102 million (1,230 FTEE); items related to Public Law 100-322, $89.5 million and 131 FTEE (Saturday premium pay, $19.4 million; standardization of medical items, $100,000; outpatient-care entitlement, $10.5 million and 192 FTEE; AIDS / information and training, $7.1 million; State Home per diem increases, $10.1 million; tuition reimbursement, $5 million; ex-POW dental care, $300,000; beneficiary travel reimbursement, $25 million; and a report on contract care $1.5 million); and $100 million for reducing the enormous equipment backlog ($532 million at the end of FY 1988). Two additional items that the Committee is recommending for FY 1989 supplemental appropriations are not discussed in the context of the FY 1990 budget: contract hospitalization, $23.5 million (972 FTEE), and restrictive appropriation language relating to AIDS, $12 million.

The item relating to contract hospitalization is necessary because the savings originally assumed in the FY 1989 budget in connection with the adoption by the VA of Medicare prospective payment rates were overly optimistic. In addition, the delay -- despite the strong urging of the Chairman of this Committee -- in issuing the joint implementing regulations (with HHS) has resulted in a reduced level of savings. The restrictive-appropriations-language item concerns the direction in the Joint Explanatory Statement accompanying the conference report on the FY 1989 HUD-Independent Agencies Appropriations Act (House Report 100-817, page 26), that the VA not reduce the FTEE allocations of the 16 VA medical centers to which additional funds had been allocated for AIDS treatment. This limitation has resulted in other VAMCs having to bear a disproportionate share of mandated, system-wide reductions as well as of other cutbacks directed by VA Central Office to enable the VA to continue to operate in light of the overall funding shortfall during the current fiscal year. The add-on for this purpose would restore the disproportionate portion of such reductions to these other centers.

To provide funding for personnel costs, under the medical care account, the VA has diverted $132 million from equipment -- $86 million to fund the unfunded portion (2.1 percentage points of the 4.1-percent increase) of the January 1989 payraise and $46 million to limit reductions in employment levels, which as of February 25, 1989, had fallen to 191,328 FTEE from the FY 1988 level of 194,140, despite an Appropriations-Committee-mandated FY 1989 ceiling of 194,720 FTEE. Additional unfunded personnel costs and programs were maintained by reducing FTEEs. A supplemental appropriation of $618.4 million would allow the VA to restore $232 million for equipment items -- reducing the FY 1989 end-of-year backlog from $530.4 million to 430.4 million -- and restore employment to 194,720 FTEE by the end of the fiscal year (192,630 FTEE cumulative) in order generally to restore health-care workloads to the FY 1988 levels.

General Operating Expenses (GOE)

The VA also faces a $21-million shortfall for FY 1989 in the GOE account. This has caused substantial reprogramming of already-limited funds from nonpersonnel costs to maintain the Appropriations Act-mandated FTEE level of 12,898 FTEE. VA Chief Benefits Director John Vogel testified at the Committee's March 6 budget hearing that, if forced to maintain the mandated FTEE level without supplemental funding, DVB will have to furlough DVB employees in FY 1989. In his February 7, 1989, letter to the Committee, then Secretary of Veterans' Affairs-designate Edward J. Derwinski stated that he had requested a $10-million supplemental appropriation for FY 1989 for DVB/VBA. The Committee understands that no response has yet been made by OMB.

The VA's ability to process benefits claims in a timely manner and to administer the loan guaranty program in a cost-effective way has been severely hampered by the personnel cutbacks which were made throughout the 1980's. The Committee believes that action is required now to reverse this trend of serious deterioration in services to veterans. Veterans should not have to suffer inordinate delays in the processing of their claims for benefits. They should not be faced with program curtailment simply because the Administration will not ask for the funding needed to cover the costs of administering benefits entitlement programs. Accordingly, the Committee recommends $15 million in FY 1989 supplemental funding for DVB/VBA which -- since it is not being appropriated at the beginning of the fiscal year -- should be sufficient to alleviate the annualized $21-million shortfall.

The Committee also recommends an additional $1 million (10 FTEE) for the Office of General Counsel in order to enable that office to begin to carry out its responsibilities, under section 4063(a) of title 38, as added by section 301(a) of Public Law 100-687, enacted on November 18, 1988, to represent the VA in cases before the newly-established Court of Veterans Appeals.

Court of Veterans Appeals

The Court of Veterans Appeals, which was established by Public Law 100-687, will, for the first time, provide veterans with a forum for judicial review of their benefit claims. Although the Administration has requested a supplemental FY 1989 appropriation of $1.2 million for the Court, such an amount will not be sufficient, as discussed earlier, to cover start-up and operating costs for the Court. An additional $1.9 million, which would include $1.6 million for initial non-recurring items, is required for the Court for FY 1989.

Loan Guaranty Revolving Fund

The Committee also strongly supports the Administration's fiscally sound request, pursuant to section 303 of Public Law 100-689 to use $9.9 million from the Loan Guaranty Revolving Fund to pay for the Loan Production System, an essential and cost-effective home loan program modernization project.

APPENDIX TO SENATE VETERANS' AFFAIRS COMMITTEE MARCH 13, 1889, REPORT TO THE BUDGET COMMITTEE ON THE FY 1990 BUDGET FOR VETERANS' PROGRAMS

Chart 1 - Medical Care Budget Authority
Current Vs. Deflated (1977) Dollars

Chart 2 - Federal Outlays for Health, Medicare and Veterans' Hospital and Medical Care, Fiscal Years 1977-1990

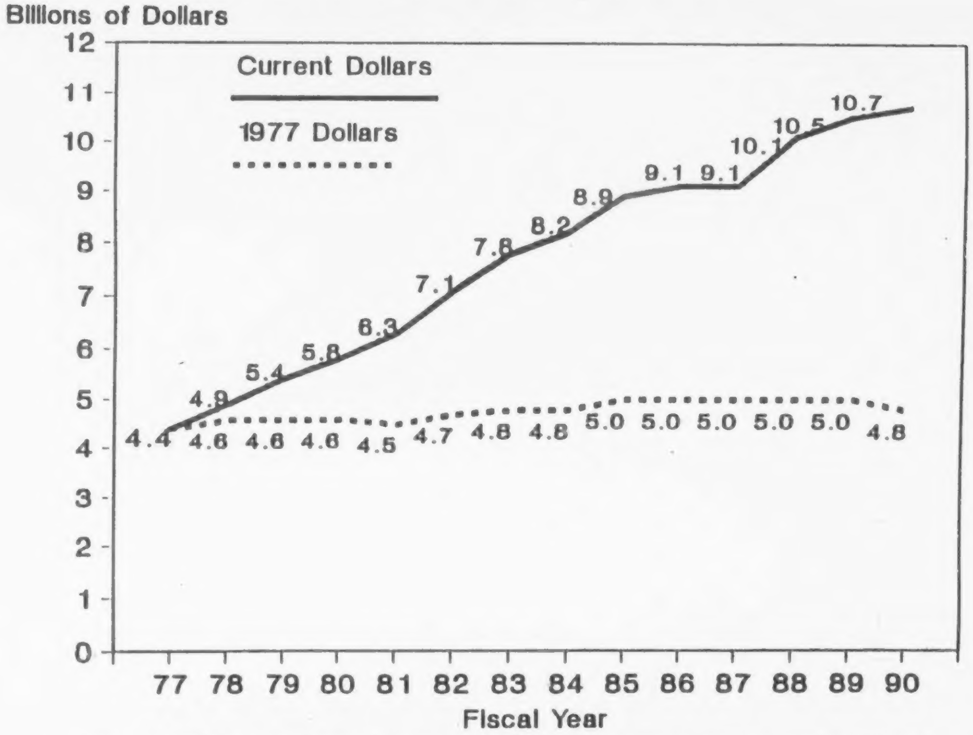
Chart 3 - Percent of Compensation and Pension Claims Completed Within 90 Days, Fiscal Years 1982 - 1988

Chart 4 - Average Staffing Levels
Compensation, Pension and Education, Fiscal Years 1982 - 1988

Chart 5 - Relationship of VR&C FTEE Field Staff to Average Time in Applicant Status

CHART 1

Medical Care Budget Authority
Current Vs. Deflated (1977) Dollars



Note: Current dollars are deflated using the Medical CPI for non-payroll costs and converting the value of 1978-1987 actual and 1988-1989 budgeted employment to 1977 dollars.

CHART 2

Federal Outlays for Health, Medicare and Veterans' Hospital and Medical Care, Fiscal Years 1977-1990
(in millions of dollars)

Fiscal year	Outlays for health a/	Outlays for Medicare	Outlays for veterans' hospital and medical care	Total	Veterans as percent of total
1977	$ 17,302	$ 19,345	$ 4,708	$ 41,355	11.4
1978	18,524	22,768	5,254	46,546	11.3
1979	20,494	26,495	5,611	52,600	10.7
1980	23,169	32,090	6,515	61,774	10.5
1981	26,866	39,149	6,965	72,980	9.5
1982	27,445	46,567	7,517	81,529	9.2
1983	28,641	52,588	8,272	89,501	9.2
1984	30,417	57,540	8,861	96,818	9.2
1985	33,542	65,822	9,547	108,911	8.8
1986	35,936	70,164	9,872	115,972	8.5
1987	39,968	75,120	10,266	125,354	8.2
1988	44,490	78,878	10,842	134,210	8.1
1989 (est.)	49,761	86,734	11,233	147,728	7.6
1990 (est.)	52,177	94,918	11,140	158,235	7.0

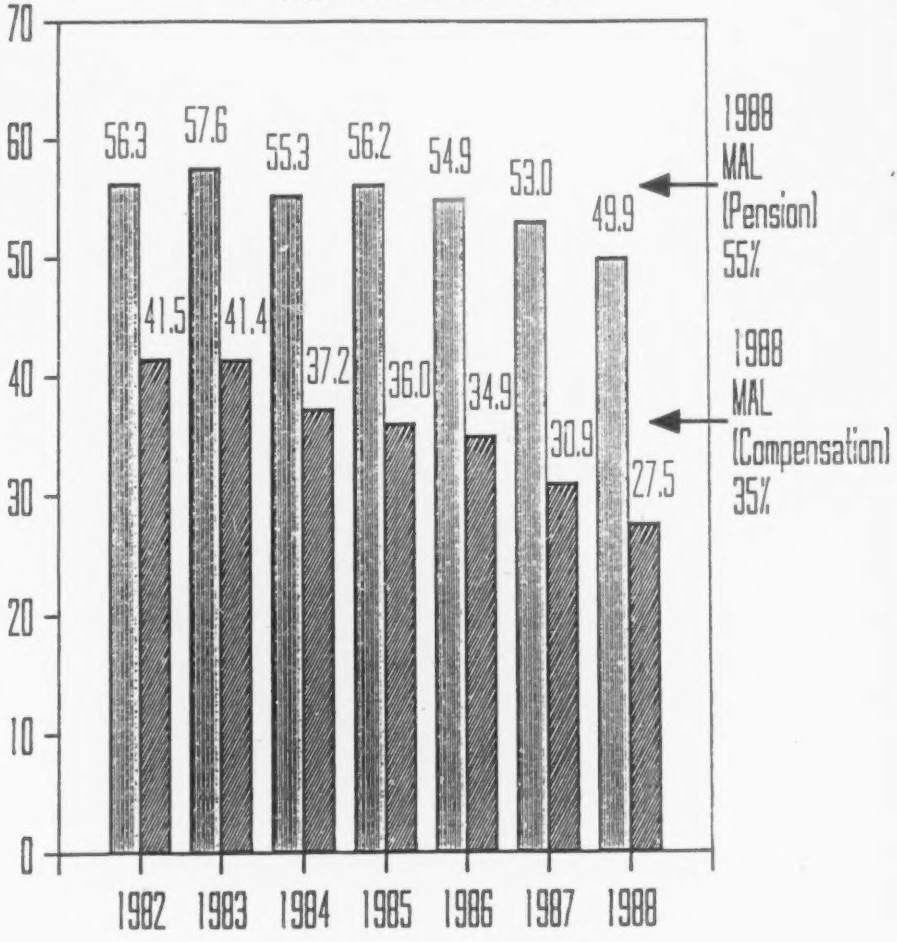
a/ Outlays are from budget function 500, which does not include Medicare, Veterans' Administration or Defense Department spending for health care.

Source: Office of Management and Budget. Historical Tables. Budget of the United States Government. Fiscal year 1990.

CHART 3

Percent of Compensation and Pension Claims Completed Within 90 Days

Fiscal Years 1982 - 1988



(MAL = Minimum Acceptable Level Per VA)

CHART 4

Average Staffing Levels Compensation, Pension and Education

Fiscal Years 1982 - 1988

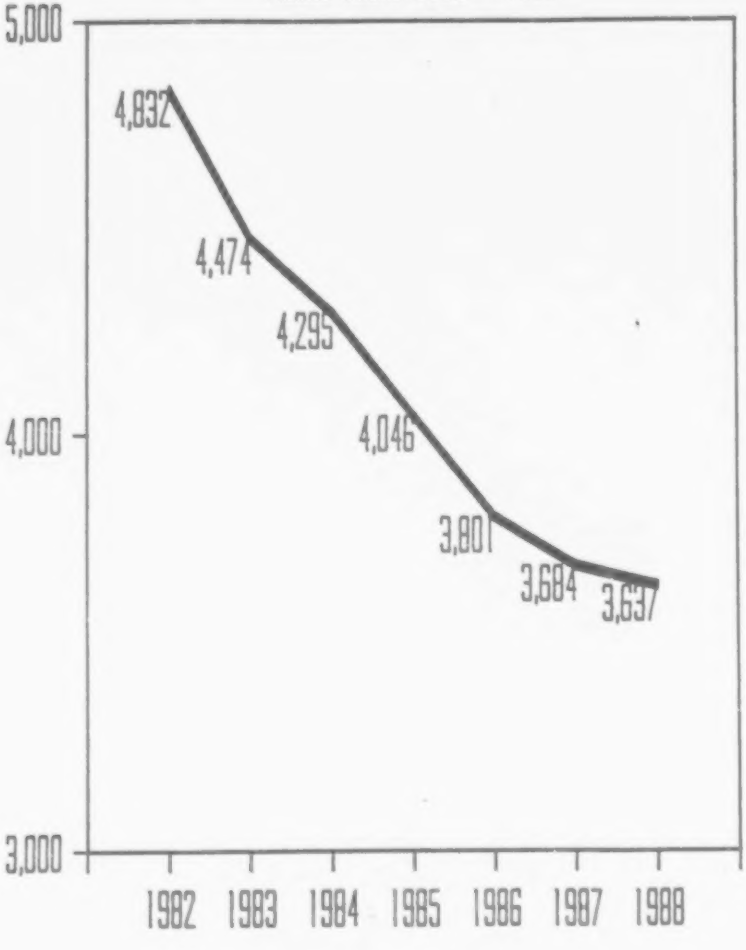
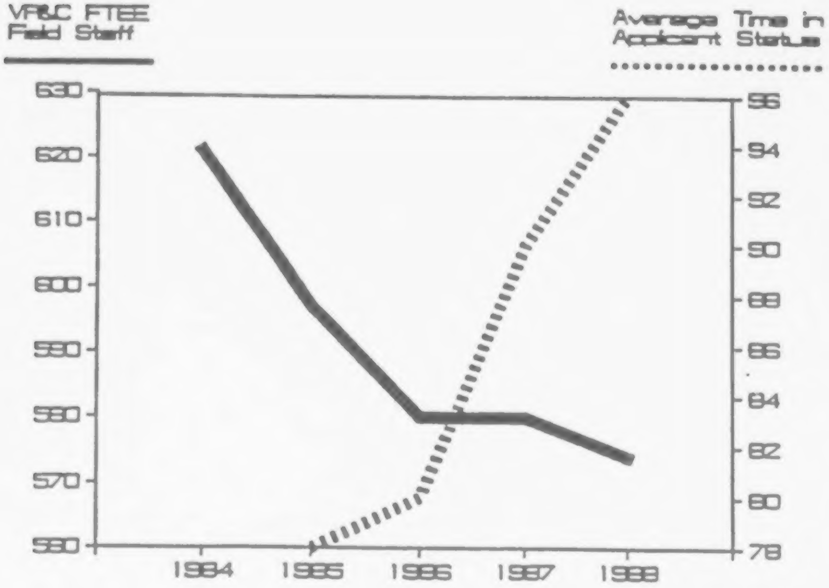


CHART 5

RELATIONSHIP OF VR&C FTEE FIELD STAFF
TO AVERAGE TIME IN APPLICANT STATUS



March 13, 1989

FISCAL YEAR 1990
FUNCTION 700, VETERANS' BENEFITS AND SERVICES
BUDGET AUTHORITY
(in millions of dollars)

	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Subfunction 701, Income security					
Compensation	11,233.0	11,233.0	11,233.0	--	--
Proposed legislation:					
Administration and Committee COLA (4.9%) a/	456.7	456.7	456.7	--	--
Committee -- Agent Orange Payments b/	--	--	19.0	19.0	19.0
Compensation subtotal	11,689.7	11,689.7	11,708.7	19.0	19.0
Insurance accounts	1,051.4	1,051.4	1,051.4	--	--
Pension	3,927.1	3,927.1	3,927.1	--	--
Proposed Legislation:					
Committee (S. 13) -- Delay of pension cutoff for institutionalized veterans	--	--	11.0	11.0	11.0
Pension subtotal	3,927.1	3,927.1	3,938.1	11.0	11.0
Burial benefits and misc. assis.	148.8	148.8	148.8	--	--
Proposed legislation:					
Administration -- Reduce plot allowance eligibility	--	-30.4	--	30.4	--
Burial and misc. assis. subtotal	148.8	118.4	148.8	30.4	--
TOTAL, Subfunction 701	16,817.2	16,786.8	16,847.0	60.2	29.8

(2)

BA	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Subfunction 702, Veterans education, training and rehabilitation					
Readjustment benefits	439.0	439.0	439.0	--	--
Proposed legislation:					
Administration and Committee					
Increase Ch 31 and 35 allowances (Admin. 5%; Committee 13.8% (S. 13))	--	5.6	16.0	10.4	16.0
Readjustment benefits subtotal	439.0	444.6	455.0	10.4	16.0
Other education accounts	-191.0	-191.0	-191.0	--	--
TOTAL, Subfunction 702	248.0	253.6	264.0	10.4	16.0
Subfunction 703, Hospital and medical care for veterans					
Medical Care	11,307.9	10,741.4 186,194 FTEE	10,741.4 186,194 FTEE	-- --	-566.5
Committee funding proposals in addition to Admin. request:					
1/89 unfunded pay raise costs (2.1%)	--	--	64.0	64.0	64.0
1/90 unfunded pay raise costs (4.1% increase)	--	--	187.0	187.0	187.0
AIDS (incl. univ. prec. other than waste disp.)	--	--	87.2 850 FTEE	87.2 850 FTEE	87.2
Special salary rates c/	--	--	232.0 1,800 FTEE	232.0 1,800 FTEE	232.0
Restoration of "productivity" cut	--	--	68.7 1,962 FTEE	68.7 1,962 FTEE	68.7
Readjustment couns. (fee care/travel)	--	--	2.5	2.5	2.5
PTSD care	--	--	10.0 175 FTEE	10.0 175 FTEE	10.0

(3)

BA	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Drug and alcohol care (Anti-Drug Abuse Act of 1988)	--	--	16.0 332 FTEE	16.0 332 FTEE	16.0
Domiciliary care/homeless (McK. Act)	--	--	15.0 329 FTEE	15.0 329 FTEE	15.0
Education and training	--	--	14.5 268 FTEE	14.5 268 FTEE	14.5
Universal prec.; waste disposal (1/2 yr.)	--	--	16.5 165 FTEE	16.5 165 FTEE	16.5
Restoring workload cuts	--	--	200.7 2,595 FTEE	200.7 2,595 FTEE	200.7
Tuition reimbursement	--	--	5.0	5.0	5.0
Health-care personnel bonuses	--	--	5.0	5.0	5.0
Within-grade increases	--	--	52.4	52.4	52.4
FEHB	--	--	12.3	12.3	12.3
P.L. 100-322 d/	--	--	77.0 383 FTEE	77.0 383 FTEE	77.0
Reduce equipment backlog	--	--	100.0	100.0	100.0
DHCP	--	--	53.4 916 FTEE	53.4 916 FTEE	53.4
Postgraduate and inservice training	--	--	6.0	6.0	6.0
Prosthetic appliances and services	--	--	4.0 50 FTEE	4.0 50 FTEE	4.0
Subtotal	--	--	1,229.2 9,825 FTEE	1,229.2 9,825 FTEE	1,229.2
less 10% to eliminate overlap	--	--	122.9 983 FTEE	122.9 983 FTEE	122.9
Committee proposals subtotal	--	--	1,106.3 8,842 FTEE	1,106.3 8,842 FTEE	1,106.3
Proposed Legislation:					
Administration --					
Dental care	--	-0.7	-0.5	0.2	-0.5
Decreased workload due to copayment proposal	--	-39.9	--	39.9	--
Committee --					
PTSD Special Comm. (S. 13)	--	--	0.5	0.5	0.5
Assistive animals (S. 13)	--	--	0.5	0.5	0.5

BA	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(4) (c)-(a) SVAC vs. Baseline
PTSD readjustment study (Asian-American, etc.) (S.13)	--	--	1.0	1.0	1.0
CMI homeless (S. 405)	--	--	15.0 126 FTEE	15.0 126 FTEE	15.0
MIRECCs (S. 86)	--	--	3.1 14 FTEE	3.1 14 FTEE	3.1
Recruitment & retention	--	--	70.0	70.0	70.0
Health manpower training grants	--		5.0	5.0	5.0
Proposed legislation subtotal	--	-40.6	94.6 140 FTEE	135.2 140 FTEE	94.6
Medical care subtotal	11,307.9	10,700.8 186,194 FTEE	11,942.3 195,176 FTEE	1,241.5 8,983 FTEE	634.4
Medical and prosthetic research	230.4	197.3 4,106 FTEE	208.3 4,722 FTEE	11.0 616 FTEE	-22.1
Medical administration and miscellaneous operating expenses	51.4	48.5 589 FTEE	48.5 589 FTEE	-- 589 FTEE	-2.9
Committee funding proposals in addition to Admin. request:					
QA Resource Center	-- --	-- --	1.2 16 FTEE	1.2 16 FTEE	1.2
1/89 unfunded pay raise costs (4.1% increase)		--	0.9	0.9	0.9
1/90 unfunded pay raise costs (4.1% increase)	--	--	2.0	2.0	2.0
Unfunded FEHB	--	--	0.1	0.1	1.0
MAMOE subtotal	51.4	48.5 589 FTEE	52.7 605 FTEE	4.2 16 FTEE	1.3
Major construction	378.0	365.8	365.8	--	-13.8
Committee funding proposals in addition to Admin. request:					
High-priority nursing home and facility improvement projects	--	--	95.0	95.0	95.0
Major construction subtotal	378.0	365.8	460.8	95.0	82.8

(5)

BA	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Minor construction	118.1	114.7	114.7	--	-3.4
Committee funding proposals in addition to Admin. request:					
Conversions of hospital beds and other high-priority projects	--	--	20.0	20.0	20.0
Minor construction subtotal	118.1	114.7	134.7	20.0	16.6
State Home construction grants	43.7	42.0	50.0	8.0	6.3
Parking garage revolving fund	27.0	7.0	7.0	--	-20.0
Grants to the Philippines	0.5	0.5	0.5	--	--
Reimbursement for medical care	-185.0	-185.0	-185.0	--	--
Receipts					
Proposed Legislation:					
Administration -- g/					
Increase copayments	--	-39.2	--	39.2	--
TOTAL, Subfunction 703	11,972.2	11,252.6	12,671.3	1,418.7	699.1
Subf. 704, Veterans Housing					
Loan Guaranty Revolving Fund	1,414.6	1,414.6	1,414.6	--	--
Proposed Legislation:					
Administration and Committee					
Extend 1% fee (S. 404)	--	-169.0	-169.0	--	-169.0
Administration -- f/					
Continue without recourse sales	--	-496.3	--	496.3	--
TOTAL, Subfunction 704	1,414.6	749.3	1,245.6	496.3	-169.0

BA	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Subfunction 705, Other veterans benefits and services					
General operating expenses	811.5	803.6	803.6	--	-7.9
Committee funding proposals in addition to Admin. request:					
Board of Veterans' Appeals	--	--	1.9 42 FTEE	1.9 42 FTEE	1.9
General Counsel	--	--	1.0 12 FTEE	1.0 12 FTEE	1.0
DVB/VBA claims adjudication	--	--	8.0 250 FTEE	8.0 250 FTEE	8.0
DVB/VBA Loan Guaranty Service	--	--	10.0 244 FTEE	10.0 244 FTEE	10.0
DVB/VBA modernization	--	--	10.5	10.5	10.5
DVB/VBA vocational rehabilitation	--	--	4.2 121 FTEE	4.2 121 FTEE	4.2
Program analysis and evaluation g/ (contract section 219 studies)	--	--	2.5	2.5	2.5
Proposed Legislation: Administration --					
Loan Production System savings	--	-4.4	-4.4	--	-4.4
General operating expenses subtotal	811.5	799.2	837.3	38.1	25.4
Other accounts within the Committee's jurisdiction	70.5	63.9	63.9	--	-6.6
Other	64.7	61.4	61.4	--	-3.3
U.S. Court of Veterans Appeals h/	--	1.5	6.3	4.8	6.3
TOTAL, Subfunction 705	946.7	925.8	978.8	53.0	31.8
TOTAL, FUNCTION 700	31,398.7	29,967.7	32,006.7	2,039.0	608.0

FISCAL YEAR 1990
FUNCTION 500, EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES
(in millions of dollars)

	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Subfunction 504, Department of Labor					
Veterans' employment and training programs i/	175.6	174.3	174.3	--	-1.3

March 13, 1989

FISCAL YEAR 1990
FUNCTION 700, VETERANS' BENEFITS AND SERVICES
OUTLAYS
(in millions of dollars)

	(a) FY 1990 CBO Baseline	(b) FY 1990 President Re-estimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Subfunction 701, Income security					
Compensation	10,712.8	10,712.8	10,712.8	--	--
Proposed legislation:					
Administration and Committee COLA (4.9%) a/	411.5	411.5	411.5	--	--
Committee -- Agent Orange Payments b/	--	--	15.0	15.0	15.0
Compensation subtotal	11,124.3	11,124.3	11,139.3	15.0	15.0
Insurance accounts	806.4	806.4	806.4	--	--
Pension	3,797.0	3,797.0	3,797.0	--	--
Proposed Legislation:					
Committee (S. 13) -- Delay of pension cutoff for institutionalized veterans	--	--	11.0	11.0	11.0
Pension subtotal	3,797.0	3,797.0	3,808.0	11.0	11.0
Burial benefits and misc. assis.	148.8	148.8	148.8	--	--
Proposed legislation:					
Administration -- Reduce plot allowance eligibility	--	-30.4	--	30.4	--
Burial and misc. assis. subtotal	148.8	118.4	148.8	30.4	--
TOTAL, Subfunction 701	15,876.3	15,845.9	15,902.5	54.6	26.2

Outlays	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(2) (c)-(a) SVAC vs. Baseline
Subfunction 702, Veterans education, training and rehabilitation					
Readjustment benefits	451.0	451.0	451.0	--	--
Proposed legislation:					
Administration and Committee Increase Ch 31 and 35 allowances (Admin. 5%; Committee 13.8% (S. 13))	--	5.6	16.0	10.4	16.0
Readjustment benefits subtotal	451.0	456.6	467.0	10.4	16.0
Other education accounts	-160.4	-160.4	-160.4	--	--
TOTAL, Subfunction 702	290.7	296.2	306.6	10.4	15.9
Subfunction 703, Hospital and medical care for veterans					
Medical Care	11,190.0	10,702.6 186,194 FTEE	10,702.6 186,194 FTEE	-- --	-487.4
Committee funding proposals in addition to Admin. request:					
1/89 unfunded pay raise costs (2.1%)	--	--	55.0	55.0	55.0
1/90 unfunded pay raise costs (4.1% increase)	--	--	160.8	160.8	160.8
AIDS (incl. univ. prec. other than waste disp.)	--	--	75.0 850 FTEE	75.0 850 FTEE	75.0
Special salary rates c/	--	--	199.5 1,800 FTEE	199.5 1,800 FTEE	199.5
Restoration of "productivity" cut	--	--	59.1 1,962 FTEE	59.1 1,962 FTEE	59.1
Readjustment couns. (fee care/travel)	--	--	2.2	2.2	2.2
PTSD care	--	--	8.6	8.6	8.6

(3)

Outlays	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Admin.
Drug and alcohol care	--	--	13.8	13.8	13.8
(Anti-Drug Abuse Act of 1988)			332 FTEE	332 FTEE	
Domiciliary care/homeless (McK. Act)	--	--	12.9	12.9	12.9
			329 FTEE	329 FTEE	
Education and training	--	--	12.5	12.5	12.5
			268 FTEE	268 FTEE	
Universal prec.; waste disposal	--	--	14.2	14.2	14.2
(1/2 yr.)			165 FTEE	165 FTEE	
Restoring workload cuts	--	--	172.6	172.6	172.6
			2,595 FTEE	2,595 FTEE	
Tuition reimbursement	--	--	4.3	4.3	4.3
Health-care personnel bonuses	--	--	4.3	4.3	4.3
Within-grade increases	--	--	45.1	45.1	45.1
FEHB	--	--	10.6	10.6	10.6
P.L. 100-322 d/	--	--	66.2	66.2	66.2
			383 FTEE	383 FTEE	
Reduce equipment backlog	--	--	86.0	86.0	86.0
DHCP	--	--	45.2	45.2	45.2
			916 FTEE	916 FTEE	
Postgraduate and inservice training	--	--	5.2	5.2	5.2
Prosthetic appliances and services	--	--	3.4	3.4	3.4
			50 FTEE	50 FTEE	
Subtotal	--	--	1,056.5	1,056.5	1,056.5
			9,825 FTEE	9,825 FTEE	
less 10% to eliminate overlap	--	--	105.7	105.7	105.7
			983 FTEE	983 FTEE	
Committee proposals subtotal	--	--	950.8	950.8	950.8
			8,842 FTEE	8,842 FTEE	
Proposed Legislation:					
Administration --					
Dental care	--	-0.7	-0.5	0.2	-0.5
Decreased workload due to copayment proposal	--	-39.9	--	39.9	--
Committee --					
PTSD Special Comm. (S. 13)	--	--	0.5	0.5	0.5
Assistive animals (S. 13)	--	--	0.5	0.5	0.5

Outlays	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(4) (c)-(a) SVAC vs. Baseline
PTSD readjustment study (Asian-American, etc.) (S.13)	--	--	0.9	0.9	0.9
CMI homeless (S. 405)	--	--	12.9 126 FTEE	12.9 126 FTEE	12.9
MIRECCs (S. 86)	--	--	2.7 14 FTEE	2.7 14 FTEE	2.7
Recruitment & retention	--	--	60.2	60.2	60.2
Health manpower training grants	--	--	4.3	4.3	4.3
Proposed legislation subtotal	--	-40.6	81.5 140 FTEE	122.1 140 FTEE	81.5
Medical care subtotal	11,190.0	10,662.0 186,194 FTEE	11,800.6 195,176 FTEE	1,138.6 8,983 FTEE	610.6
Medical and prosthetic research	226.3	201.0 4,106 FTEE	209.4 4,722 FTEE	8.4 616 FTEE	-16.9
Medical administration and miscellaneous operating expenses	50.6	48.5 589 FTEE	48.5 589 FTEE	--	2.1
Committee funding proposals in addition to Admin. request:					
QA Resource Center	-- --	-- --	0.9 16 FTEE	0.9	0.9
1/89 unfunded pay raise costs (4.1% increase)		--	0.7	0.7	0.7
1/90 unfunded pay raise costs (4.1% increase)	--	--	1.5	1.5	1.5
Unfunded FEHB	--	--	0.1	0.1	0.1
MAMOE subtotal	50.6	48.5 589 FTEE	51.7 605 FTEE	3.2 16 FTEE	1.1
Major construction	442.4	442.0	442.0	--	-0.4
Committee funding proposals in addition to Admin. request:					
High-priority nursing home and facility improvement projects	--	--	3.1	3.1	3.1
Major construction subtotal	442.4	442.0	445.1	3.1	2.7

Outlays	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline (5)
Minor construction	134.4	133.7	133.7	--	-0.7
Committee funding proposals in addition to Admin. request:					
Conversions of hospital beds and other high-priority projects	--	--	3.5	3.5	3.5
Minor construction subtotal	134.4	133.7	137.2	3.5	2.8
State Home construction grants	38.1	38.1	38.1	--	--
Parking garage revolving fund	13.1	12.1	12.1	--	1.0
Grants to the Philippines	0.5	0.5	0.5	--	--
Reimbursement for medical care	-185.0	-185.0	-185.0	--	--
Receipts					
Proposed Legislation:					
Administration -- g/					
Increase copayments	--	-39.2	--	39.2	--
TOTAL, Subfunction 703	11,909.2	11,312.7	12,444.0	1,131.3	534.8
Subf. 704, Veterans housing					
Loan Guaranty Revolving Fund	1,497.5	1,497.5	1,497.5	--	--
Proposed Legislation:					
Administration and Committee					
Extend 1% fee (S. 404)	--	-169.0	-169.0	--	-169.0
Administration -- f/					
Continue without recourse sales	--	-496.3	--	496.3	--
TOTAL, Subfunction 704	1,497.5	832.2	1,328.5	496.3	-169.0

Outlays	(a) FY 1990 CBO Baseline	(b) FY 1990 President Peestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(6) (c)-(a) SVAC vs. Baseline
Subfunction 705, Other veterans benefits and services					
General operating expenses	805.7	798.6	798.6	--	-7.1
Committee funding proposals in addition to Admin. request:					
Board of Veterans' Appeals	--	--	1.7 42 FTEE	1.7 42 FTEE	1.7
General Counsel	--	--	0.9 12 FTEE	0.9 12 FTEE	0.9
DVB/VBA claims adjudication	--	--	8.0 250 FTEE	8.0 250 FTEE	8.0
DVB/VBA Loan Guaranty Service	--	--	10.0 244 FTEE	10.0 244 FTEE	10.0
DVB/VBA modernization	--	--	9.5	9.5	9.5
DVB/VBA vocational rehabilitation			3.8 121 FTEE	3.8 121 FTEE	3.8
Program analysis and evaluation g/ (contract section 219 studies)	--	--	2.3	2.3	2.3
Proposed Legislation: Administration --					
Loan Production System savings	--	-4.4	-4.4	--	-4.4
General operating expenses subtotal	805.7	794.2	820.6	26.4	14.9
Other accounts within the Committee's jurisdiction	60.9	59.6	59.6	--	-1.3
Other	69.5	73.2	73.2	--	3.7
U.S. Court of Veterans Appeals h/	--	1.3	5.7	4.4	5.7
TOTAL, Subfunction 705	936.2	928.4	956.8	28.4	20.6
TOTAL, FUNCTION 700	30,510.0	29,215.4	30,938.4	1,723.0	428.4

FISCAL YEAR 1990
FUNCTION 500, EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES
(in millions of dollars)

	(a) FY 1990 CBO Baseline	(b) FY 1990 President Reestimated	(c) FY 1990 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Subfunction 504, Department of Labor					
Veterans' employment and training programs 1/	168.2	174.2	174.2	--	6.0

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ALAN C. PTAK, MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

March 10, 1989

Honorable Jim Sasser
Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete:

Pursuant to section 301(c) of the Congressional Budget Act of 1974, we are hereby reporting to the Committee on the Budget, the views and estimates of certain minority Members of the Committee on Veterans' Affairs, with respect to the fiscal year (FY) 1990 budget for veterans' programs within the jurisdiction of our Committee.

We have very carefully reviewed President Reagan's FY 1990 budget request for veterans' programs, and we have received testimony during our March 6 hearing from the newly confirmed VA Administrator, Mr. Derwinski, and representatives of the Department of Labor and veterans' service organizations.

In preparing our recommendations, we have given great weight to the urgent need to control Federal spending. We are acutely aware that the most generous system of veterans' benefits and services will have no value if the economy that supports it is crippled by a crushing burden of Federal debt. However, we also strongly believe that additional funds are needed to enable the VA to continue to provide timely and quality health-care and benefits delivery services to our Nation's veterans.

Accordingly, we endorse the "Views and Estimates" submitted by the majority of the Committee with the exception of the items described on the enclosed table, which we would delete from the recommendations being submitted by other Members of the Committee. Our recommendation would reduce the amount approved by the majority of the Committee by $675.6 million. We additionally assume savings to the Federal government of $86 million to be achieved through the enactment of third-party reimbursement and co-payment legislation (which was contained in the President's request). We are, therefore, recommending that spending for veterans' programs be increased by $864.7 million over the amount requested by the President for FY 1990 (excluding the President's proposals for credit subsidy legislation or extension of the authority to sell vendee loans without recourse).

Although we propose to delete specific add on's from the Committee's recommendation relating to AIDS treatment, drug and alcohol treatment programs, and programs to assist the homeless, we do believe these programs deserve special consideration and funding by the Congress. Therefore, we respectfully request that the Budget Committee give favorable attention and funding to the VA when funding decisions are made for such high national priority items.

Although the majority's Committee-approved budget recommendations included funding for a FY 1989 supplemental, we believe it is inappropriate to include such requests in this document. It is our understanding that such a supplemental will be forthcoming and that our "Views and Estimates" are required for the 1990 budget, not 1989 supplemental requests.

We also wish to note our serious concern with VA staff expenditures for travel and expenses. With the real shortages in VA health-care dollars, we would urge that vigorous consideration be given to reallocating some of the funding for staff travel in order to provide quality medical care for actual veterans. Nearly $47.7 million of the President's budget request is allocated to employee travel -- this is an extraordinary amount which certainly deserves scrutiny.

We respectfully request that the Members of the Committee on the Budget consider our recommendations when developing the budget plan for FY 1990.

Sincerely,

Strom

Frank H. Murkowski
Ranking Minority Member

Alan K. Simpson

Strom Thurmond

Enclosure

PROPOSED CHANGES TO SENATE VETERANS' AFFAIRS COMMITTEE'S VIEWS AND ESTIMATES BUDGET AUTHORITY

Delete the following increases for subfunction 701 (income security) from the proposed add on to President Reagan's budget request for fiscal year 1990.

Program	Cost ($millions)
Agent Orange payments	$ 19.0
Burial plot allowance	$ 30.4

Delete the following increases for subfunction 703 (VA medical care) from the proposed add on to President Reagan's budget request for fiscal year 1990.

Program	Cost ($millions)
AIDS Treatment	$ 44.8
Restoration of productivity reduction	68.7
Readjustment counseling fee care	2.5
PTSD Care	10.0
Drug and Alcohol Care	16.0
Domicilicary Care for homeless	15.0
Education and Training	14.5
Restoration of workload reductions	200.7
DHCP	53.4
Proposed legislation	94.6
Research	11.0
Major Construction	95.0
Total	$626.2

Also:

Delete the VA's proposed State Home Per Diem Increase (savings of $6 million).

Assume savings of $86 million for enactment of third party reimbursement and co-payment legislation (not to be deducted from medical-care account).

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ERIC EBERHARD,
MINORITY STAFF DIRECTOR/COUNSEL

United States Senate
SELECT COMMITTEE ON INDIAN AFFAIRS
WASHINGTON, DC 20510-6450

March 8, 1989

The Honorable Jim Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman and Senator Domenici:

Enclosed please find the report of the Select Committee on Indian Affairs on the President's Budget Request for Fiscal Year 1990 for Indian programs under the jurisdiction of the Select Committee. You will note that the Committee's report contains recommendations for the funding of programs operated by the Department of the Interior (Bureau of Indian Affairs) and the Department of Health and Human Services (Indian Health Service), as well as the Department of Housing and Urban Development.

Again this year, the Committee has collected data to briefly explain and comparatively present major budget trends affecting the nation's Indian population and the U.S. population. As was noted in FY 1989, even with continued BIA and IHS budget increases in the Administration's FY 1990 Budget Request, it appears that the actual purchasing power of these budgets is decreasing at an extremely high rate. For instance, even while the Administration has recommended a nine-tenths of one percent increase in the overall IHS budget, medical care is increasing due to inflation and rising health care costs by 7.0 percent in FY 1990. This special analysis of the overall Indian budget will submitted to the Committee on the Budget by March 14, 1989. The following tables and graphs will be presented to highlight the disparity between the Federal Budget and the Indian Budget:

Special Analysis of the Indian Budget Tables & Graphs

Table 1. Trends in selected elements of the Federal Budget Actual Outlays, 1980-1990 Trends
Table 2. Trends in selected elements of the Federal Budget in Real 1982 Dollars, 1980-1990 Trends
Graph 1. U.S. Education Budget - FY 80 to FY 90
Graph 2. BIA Education Budget - FY 80 to FY 90
Graph 3. U.S. Health Budget - FY 80 to FY 90
Graph 4. IHS Budget - FY 80 to FY 90

Graph 5. U.S. Housing Budget -FY 80 to FY 90
Graph 6. Indian Housing - FY 80 to FY 90
Graph 7. Overall Federal Budget - FY 80 to FY 90
Graph 8. Indian Budget in real (1982) dollars - FY 80 to FY 90

As requested, a projection of the Bureau of Indian Affairs Budget from 1990 to 1994, based upon the FY 1989 Appropriation, is enclosed applying the CBO assumptions which are derived from the weighted average between personnel and non-personnel inflationary factors. Also enclosed is a projection of the Indian Health Service Budget from 1990 to 1994, based upon the FY 1989 Appropriation for IHS, applying the inflationary factors recommended by the Congressional Budget Office. These economic assumptions appear in the enclosed table. Various policy initiatives are discussed in the portion of the Committee's report on the proposed budget for the Indian Health Service.

New spending initiatives are set forth in the discussion of the President's Budget proposals for the Bureau of Indian Affairs. The new initiatives consist primarily of various legislative settlement initiatives that are anticipated to be enacted during the 101st Congress. These settlements of Indian claims to land and water, similar to those enacted into law in the 100th Congress, will preclude the necessity for further protracted and costly litigation of competing claims to land and water in the western states. Because all settlements contemplated, as well as those recently enacted, provide substantial benefits to non-Indian water users, land owners, and commercial developers, the Committee strongly recommends that these settlements be funded from a separate account, rather than being taken from the already meager funds that are allocated to provide Indian programs and services on a nationwide basis. The Committee does not have programs within its jurisdiction for which it can recommend offsetting decreases to reduce the Federal deficit.

We wish to thank you for the opportunity for the Select Committee on Indian Affairs to provide its review of the President's Budget for Indian Programs for Fiscal Year 1990 to the Committee on the Budget, and look forward to working with you in the coming year.

Sincerely,

John McCain
JOHN McCAIN
Vice-Chairman

DANIEL K. INOUYE
Chairman

Enclosures

BUREAU OF INDIAN AFFAIRS

The BIA has a central office in Washington, D.C. but the majority of headquarters staff work is done in Albuquerque, New Mexico, with smaller staff contingents in other states. In addition, there are 12 area offices, 83 agency offices, 3 sub-agency offices, 6 field stations, 3 irrigation project offices, 2 post-secondary schools, 111 day schools, 57 boarding schools, and 14 dormitories. Of the total number of schools, 70 are operated by tribes under Indian Self-Determination Act contracts.

The BIA serves 949,000 Indians, Eskimos, and Aleuts in 31 states. There are 310 Indian tribes in the "lower 48" and 197 Alaska Native organizations. The BIA administers 42,385,031 acres of tribal lands; 10,226,180 acres of individual Indian lands, and 442,755 acres of federally owned land.

The request for BIA for all programs for fiscal year 1990 is $1.101 billion which is $11.145 million above the fiscal year 1989 appropriated level. The BIA budget (including trust fund operations) comprises 22 percent of the total budget of the Department of the Interior.

OPERATION OF INDIAN PROGRAMS

The single largest part of the BIA budget (87 percent) goes to the Operation of Indian Programs (OIP) account for which $953,316,000 is requested in fy 1990. This is a decrease of $39.451 million from the fy 1989 appropriations level. Of the $39 million, $30 million in road maintenance funding is transferred to the construction account. As outlined more specifically below, the Committee is recommending $1,002,878,000, an increase of $10.1 million over the fy 1989 appropriation.

Of the entire OIP budget, the largest category of programs is tribal services (tribal government, social services, law enforcement, self-determination, and employment development) for which $278,501,000 or 29 percent is requested. Another 28 percent or $270,150,000 is allocated to education programs. The next largest budget item in OIP is natural resources development (forestry, agriculture, minerals and mining) for which $144,665,000 or 15 percent is requested. The fourth largest item is general administration (management, ADP, employee compensation, training) for which $107,748,000 or 11 percent is requested. Facilities management, another administrative function, requires 9 percent or $85,578,000. The remaining 8 percent of the OIP budget is allocated to Navajo-Hopi settlement ($1,002,000), economic development, including road maintenance ($13,940,000), and trust responsibilities such as rights protection, real estate and financial trust management ($51,732,000).

Tribe/agency operations for all of the activities in OIP (except Navajo-Hopi settlement and facilities management for which there is no tribe/agency item) account for a total of $255,969,000 or 27 percent.

EDUCATION. As stated, the proposed budget for the BIA education program activity is $270,150,000 for fy 1990. This reflects an overall increase from fy 1989 of $1,647,000 but a decrease from the base of $2,081,000. No increases are recommended for inflation.

School Operations: A substantial increase of $7.8 million over fy 1989 appropriations is requested for the Indian School Equalization Program (ISEP) because of increases in teacher salaries and adjustments to the weighted student unit (WSU) factors mandated by the Education Amendments of 1988 (P.L. 100-297). These increases are offset by a general decrease of $2.4 million for a "continued decline in enrollment" expected in Bureau schools. The Committee recommends an additional $7,661,000 over the request for teacher salaries which are underestimated in the budget; restoration of the $2.4 million; and an additional amount to cover the increased WSU for 7th and 8th graders.

Johnson-O'Malley: The request for the Johnson O'Malley Educational Assistance program is $2.5 million below the fy 1989 appropriation for this activity. Of the 306 contracts for this program in fy 1989, 89 were with states or local school districts; the remaining 217 were contracted by tribes and tribal organizations. The Committee requests an additional $2.6 million to keep JOM at fy 1989 levels.

Continuing Education: Under the continuing education item, $238,000 is deleted from the fy 1989 appropriation for Haskell and SIPI. Last year, Congress added $400,000, one-half to each school. The Committee recommends $1 million add-on for fy 1990, half to each school.

The Bureau is also requesting deletion of the summer law program that Congress restored again last year at $460,000.

For tribal colleges, the Bureau request shows a deletion of $680,000, the amount Congress added on last year. In fact, enrollments are expected to increase and a new college, Bay Mills, will be funded for the first time in fy 1990. From fy 1988 to fy 1989, tribal colleges enrollments increases by 690 ISC (Indian student count). The Committee recommends an increase for tribal colleges of $4,378,000 -- $1 million for the endowment program, $2 million for repairs to facilities (including asbestos abatement at Stone Child Community College), and an additional $991,000 for Title I grants and $387,000 for Title II grants.

For higher education scholarships, the number of students served is estimated to remain the same (17,800) but the amount requested per student would decrease from $1,385 to $1,360. There is no explanation for the proposed reduction. A $1 million add-on is recommended for this program.

INDIAN SERVICES. Tribal Government Services: A $445,000 increase in central office operations for aid to tribal governments is requested and will be used to contract for preparation of research reports to speed the processing of petitions for Federal acknowledgment. An additional $250,000 will be used to fund a new Institute for Tribal Government, managed by "a Board of Regents composed of experienced leaders who know the needs of tribal governments....The resources of a major university will also be utilized to support the Institute." A $500,000 decrease is requested for special tribal courts citing an anticipated decrease in requests for needy tribal court funding. A $100,000 increase is requested for the Judicial Services Center to permit contracting for special on-site training services. The Committee recommends that the $500,000 be restored for tribal courts and that the request for $250,000 for a new Institute be rejected.

Social Services: There are 16 people in the central office and 28 in the area offices responsible for technical supervision of social service programs. The Bureau is requesting an increase of $129,000 for this function. There are three types of welfare assistance grants: general assistance, EARN (employment assistance readiness net), and ICWA (Indian Child Welfare Act). The total for these three grant assistance programs is proposed to be cut $9.213 million from the fy 1989 appropriations level. Of this, $4.335 million would be cut from general assistance and $4.878 million from ICWA. The Bureau estimates savings in the general assistance program because of reductions in the cost of providing institutional care for adult in Arizona and caseload declines due to the EARN program and TWEP (Tribal Work Experience Program). However, the Bureau neglects to account for expected costs of assuming general assistance payment obligations to needy Indians in Washington, Oregon and Alaska as a result of recent court decisions. Estimates are that $13 million total in additional funding will be required to meet the requirements in these three states. The proposed reduction in ICWA is based on the Bureau's decision to "concentrate more resources in reservation-based programs to address the serious problem of child neglect and abuse." The Committee does not necessarily disagree with the objective but cannot agree with the conclusion that a reduction of nearly $5 million from the 1989 level of funding will accomplish that goal. The Bureau could instead request language or new legislation directing that the already scarce funds ($8.878 million in fy 1989) be directed to reservation-based programs; or in the alternative, given the need, the Bureau could request an increase. The Committee recommends $5 million for ICWA and $13 million to cover general assistance in Alaska ($8 million), Oregon ($1 million), and Washington ($4 million).

Law Enforcement: This subactivity has two parts, law enforcement and substance/alcohol abuse. In law enforcement, it is proposed that the fy 1989 level of $3.018 million be increased by $768,000 to $3.786 million. Of the increase, $248,000 would go to central office's Criminal Investigation Branch in Albuquerque to develop criminal cases involving child abuse and neglect, as well as the sale and distribution of illegal drugs. The request for the special law enforcement program is $300,000 above the 1989 level of $311,000. The additional funds would be used to pay for supplies, materials, and equipment to help fight illegal drugs in Indian country. The substance/alcohol abuse part of the law enforcement subactivity is requesting $337,000 above the $998,000 level in fy 1989 to "hire additional staff and to increase overflights to identify suspected marijuana gardens and tracts in Indian country. The funds will allow an additional 635 hours of helicopter service..." The Committee recommends $1.5 million to continue tribal programs which should have been added to the base of the tribes.

Self-Determination Services: This subactivity has three program elements: training and technical assistance, contract support, and small tribes core management grants. The training and technical assistance program provides technical assistance to tribes in assuming management of Bureau programs at both the central and area office levels. It is scheduled to be reduced from $1.078 million in fy 1989 to $490,000 in fy 1990. The biggest item by far is the program for contract support. This pays for tribal overhead and other costs incurred as a result of contracts to operate BIA program and for severance and leave payments to displaced federal employees. The budget proposes to reduce funding from $53.366 million in fy 1989 to $48.946 million in fy 1990. The justification for the cut is that the requested amount is an increase of $1.2 million over actual 1988 distributions and that $9.8 million for contract support has been requested in the construction account because of the 1988 Indian Self-Determination Act amendments that require indirect costs be paid on construction contracts. The Small Tribes Core Management Grants is slated for a cut of $1.050 million from fy 1989 because "(t)he program has successfully accomplished its stated purpose for many of the eligible small tribes." The Committee recommends an increase in contract support funds of $4,380,000 to restore funding to fy 1989 levels and restoration of the Small Tribes Core Management grants at $1,050,000.

Employment Development: There are two program elements for this subactivity: direct employment and adult vocational training. A total of $586,000 is proposed to be cut from the fy

1989 appropriation level for this subactivity, of which $460,000 is to come from the appropriation for United Tribes Technical College which contracts with the Bureau for vocational training of Indian adults. The Committee recommends $700,000 additional for this budget item to restore UTTC and to provide $240,000 for the Crown Point Institute in New Mexico.

Tribe/Agency Operations: This subactivity has 12 program elements and is the primary source of funding at the local level for services in adult vocational training, employment assistance, general community services, fire protection, tribal courts, other aid to tribal government, social services, law enforcement, and training and technical assistance. Overall, the budget request is $3.179 million over the fy 1989 appropriated level. The fire protection and tribal courts items show decreases from fy 1989 levels. The law enforcement program shows an increase for staffing juvenile detention centers but a decrease from Congressional add-ons for fy 1989 of $2.68 million. Of the 12 program elements, the law enforcement and social services received the most priority from tribes ($632,00 and $440,000 respectively), indicating a strong need in these two areas, perhaps prompted by recent attention to child abuse and neglect, and alcohol and substance abuse, requiring both counseling/social work input and law enforcement efforts. No funds are requested for the Tribally Designed Budget Initiative. An additional $1.2 million is needed in fy 1990 to fund the final phase of the first 10 tribes at $20,000 each and the first or second year of the second tier of 10 tribes involved in the initiative.

ECONOMIC DEVELOPMENT. This budget activity had two subactivities last year, plus tribe/agency operations. Road maintenance is proposed to be transferred to the construction account. The second subactivity, the business enterprise development program, has three components: credit and financing, the Indian Arts and Crafts Board, and the Indian business development grants program. The budget for credit and financing proposes to delete last year's add-on for a grant to Michigan tribes to fund the activities of a tribal economic development consortium in that state.

NATURAL RESOURCES. Forestry and Agriculture: Forestry and Agriculture is the first subactivity of Natural Resources and has five program elements: general natural resources, agriculture, forestry, water resources, and wildlife and parks.

Natural Resources, General: For general natural resources, the budget proposes to add $143,000 for central office operations for 4 new staff positions and $525,000 to be used to convert data on oil, gas and minerals to the GIS format for use in the Integrated Resource Management Program (IRMP).

Agriculture: In the agriculture program, the budget proposes to move irrigation operation and maintenance from the BIA's construction budget account (a transfer of $7.716 million) but then to decrease the overall agriculture program budget by about $3.1 million. The decreases are proposed for tribal projects, prairie dog control, and the Agriculture Technical Assistance Centers. The Centers program provides technical assistance to tribes and Indian ranchers and farmers for extension services, agri-business, soil conservation, range management, and related farming activities.

Forestry: A cut of $3.150 million is recommended for the forest development program. A new account of $31.2 million for fire suppression is proposed, that would be a permanent, indefinite account to cover fire management, presuppression, suppression, and emergency rehabilitation.

Water Resources: The budget proposes to move $6.853 million from the trust responsibilities account (water rights negotiation/litigation) to water management and development. It then proposes to cut $6.620 million from the budget. The rationale for the move is unclear at best. There are 15 cases in active negotiation and another 15 in active litigation. The support needed for these cases would have to come from the reduced budget but the justification says that each development project costs an average of $143,500. The requested funding will support 32 priority protection and 32 priority management and planning projects, but will not provide any support for the cases in litigation or negotiation. The Committee recommends restoration of the $6.853 million to water rights protection under the trust responsibilities account.

Wildlife and Parks: The proposed budget for this program shows a decrease of $4.193 million from the base and $3.419 million from the fy 1989 appropriated level. In spite of this, the budget requests an additional $1.367 million for technical assistance (15 new FTEs).

The Committee recommends an increase of $10,643,000 for the Forestry/Agriculture item as follows: $3 million to restore the reduction proposed for agriculture; restoration of $3,120,000 for forest development; a small reduction of $238,000 in water resources (but see rights protection); $4,285,000 to restore the fy 1989 base in wildlife and parks. When the $6.853 million is transferred back to the trust responsibilities account, the recommended increase for this account would be $3.314 million.

Minerals and Mining: This is the second subactivity of the Natural Resources activity and has two program elements: Minerals and Mining, and Irrigation O&M. The latter element is proposed for transfer to the agriculture program (noted above). The budget proposes to cut the minerals and mining program by

$2.664 million because the Data Base Management System and the Integrated Records Management System will be completed in fy 1989.

Tribe/Agency: A decrease of $3.162 million is proposed from the fy 1989 appropriation level for all of the programs in this account. The largest cut is $2.146 million from the forestry program; the second largest cut is $597,000 from the agriculture program.

TRUST RESPONSIBILITIES. Indian Rights Protection: The two program elements of this subactivity are: environmental quality and Indian rights protection. The fy 1989 appropriation for environmental quality was $665,000 and an increase of $101,000 is requested. For rights protection, the fy 1989 appropriation was $15,376,000 and $6,824,000 is requested for this program in fy 1990. It is proposed that the water rights negotiations/litigation program ($6.853 million) be transferred to water resources under the Water Resources program of the Forestry and Agriculture subactivity of the Natural Resources activity (see above). In addition, attorney fees are proposed to be cut by $500,000 and litigation support by $300,000. Another $660,000 in hunting and fishing rights protection funding is proposed for transfer primarily to the Wildlife and Parks program of the Natural Resources/Forestry and Agriculture activity. The money would be used there for tribal fish and wildlife projects, including the Native American Fish and Wildlife Society, the Northwest Indian Fisheries Commission, and similar projects. The Committee strongly recommends that the proposal to transfer the water rights negotiation/litigation program to the water resources program be rejected. The $6.853 million needs to be restored to this account, as does the $500,000 for attorney fees and $300,000 for litigation support.

Real Estate/Financial Trust Services: There are three program elements in this subactivity: trust services, real estate services, and financial trust services. A small decrease is proposed for trust services. For real estate services, $2.6 million is proposed to be cut for the land records improvement account. At the end of fy 1989, 94 percent of the real estate title backlog will be completed. For financial trust services, an increase of $2.413 million is requested for the trust fund accounting management contract. The total request for this item is $3.768 million. The Committee recommends against the $2.413 million add-on that is requested for the new contract for the management of trust funds.

FACILITIES MANAGEMENT. The budget proposes a modest increase of $4.125 million over the fy 1989 appropriation but just $2.680 million above the base for fy 1990, of which $2.5 million is for a new O&M initiative. The Committee recommends that this amount be reprogrammed for facilities O&M and that the new initiative be postponed until funding is adequate to maintain existing facilities up to standard.

GENERAL ADMINISTRATION. The Administration is requesting increases in all six subactivities of this activity -- the only activity where there are across-the-board increases. The request is about $10 million above the fy 1989 appropriation level and $3.3 million above the base. The Committee is recommending decreases totalling $6.473 million in this activity.

CONSTRUCTION

The Administration's request for this account is $100,975,000, a $21.692 million increase over fy 1989 appropriations. However, the road maintenance activity was transferred from the Operation of Indian Programs account. The amount requested for fy 1990 for roads maintenance is the same as fy 1989, $30 million. Therefore, the construction account is actually cut by about $8.3 million, of which $2.760 million represents a decrease in the Housing Improvement Program (HIP). The Committee recommends that this amount be restored to HIP.

MISCELLANEOUS PAYMENTS TO INDIANS

The Administration is requesting $29,255,000 to carry out the terms of legislation settling various Indian claims to land and water. Of this, $15 million is set aside to pay for three water settlements enacted in the 100th Congress: San Luis Rey, Animas-LaPlata, and Salt River, to be divided among the settlement tribes at $5 million per settlement. A minimum of $72.6 million is required for these three settlements: San Luis Rey, $32.6 million; Salt River, $24 million, and Anima-LaPlata (Colorado Ute tribes), $29.5 million. No funds were included for the Hoopa-Yurok Settlement for which $10 million is required to keep that settlement process going forward. This is a significant add-on of $67.6 million and the Committee recommends adoption of a new budget item outside of the BIA for these settlements consistent with the discussion of water and land settlements in the section on New Spending Initiatives below.

LOAN SUBSIDIES

The Administration is requesting an additional $3,175,000 in direct loan subsidies and $11,145,000 in guaranteed loan subsidies based on assumed enactment by Congress of the Credit Reform Act that would restructure all Federal government loan programs. Since this legislation has not been successful in the past, the Committee recommends deletion of these amounts in favor of the $12.5 million proposed for fy 1990 for the Indian Development Finance Corporation Act discussed below.

NEW INITIATIVES - DEPARTMENT OF THE INTERIOR BUDGET

The Indian Development Finance Corporation Act is scheduled for action in the early part of the 101st Congress. The Committee anticipates negotiating an agreement to overcome the objections which led to the pocket veto of the measure at the end of the Reagan Administration. Funding authorization for both fy 1990 and fy 1991 would be $12.5 million. For the following three years, $2.5 million will be authorized for the Corporation's annual operating expenses. It is intended to be self-supporting thereafter. Ten million of the funding in fy 1990 and fy 1991 will be allocated for capitalization.

In the 100th Congress, Committee Chairman Inouye, joined by 22 co-sponsors, sponsored legislation to establish a National Museum of the American Indian within the Smithsonian Institution. Action on the bill was not taken before the end of the 100th Congress because of ongoing negotiations with the City and State of New York concerning the transfer to the Smithsonian of the vast and priceless collection of the Museum of the American Indian, Heye Foundation of New York. Those negotiations are now nearly complete, and upon approval by the Smithsonian Board of Regents of an agreement between the two museums, introduction of legislation to establish the museum is anticipated in the near future.

The legislation will authorize the establishment of a National Museum of the American Indian within the Smithsonian Institution, and will authorize the transfer of legal title to the collection of the Museum of the American Indian, Heye Foundation to the Smithsonian Institution. It is anticipated that the National Museum would have two facilities -- one in the Old United States Custom House at One Bowling Green in New York City, to be known as the George Gustav Heye Center of the Museum, and one on the last remaining site on the National Mall in Washington, D.C. which has been reserved for the use of the Smithsonian Institution. The funds outlined below are a total of the amount that is required to operate both facilities.

As a new spending initiative, it is projected that $5 million will be required in fiscal year 1990, when the Smithsonian assumes control of the Heye collection, and begins conceptual planning for the Museum. OMB Director Darman has indicated to the Senate Appropriations Committee, that the Administration will be supporting the funds needed in fiscal year 1990. Beginning in fiscal year 1991, approximately $20 million will be required to complete planning, enter into contracts for the architectural engineering and design phase, begin staffing for the Museum, and to begin initial construction of the Museum. In fiscal year 1992, the year in which full construction of the Museum facility in Washington is anticipated to take place, approximately $70 million will be required. Exhibit construction, remaining staff requirements, and Museum operation is expected to require $25 million in fiscal year 1993. And in fiscal year 1994, with both facilities of the Museum open and fully operating, it is anticipated that $25 million will be required.

Although private fund raising efforts will be undertaken to offset a portion of the costs outlined above, the Committee has elected to include the full amount of funding that will be required under the new spending initiatives.

S. 402, a bill to provide for the settlement of land claims of the Puyallup Indian Tribe, was introduced on February 10, 1989 by Senators Brock Adams and Slade Gorton. If enacted, S. 402 will resolve the tribe's claims to land in the Port of Tacoma, the City of Tacoma, and surrounding municipalities in the State of Washington. The total amount of the settlement amounts to $161,844,000, with a 52% local and private contribution, leaving the Federal contribution of $77,240,000. It is anticipated that appropriations will be sought to fully fund the settlement in fiscal year 1990.

In addition to the Puyallup land claim, there are five water settlement negotiations nearing completion that are expected to reach legislative settlement this year. They are Chui-Chu (Arizona) at $19 million; Uintah and Ouray (Utah) at $500 million; Shoshone-Bannock (Idaho) at $100 million; Pyramid Lake (Nevada and California) at $150 million; and Fort McDowell (Arizona) at $25 million. The total for all five is thus estimated to be $794 million. While it is uncertain whether all of these will in fact be enacted prior to fy 1990 and it is uncertain how the settlements will be structured in terms of the timing of the establishment of trust funds or other financial arrangements, the Committee strongly recommends that a trust fund for Indian water and land settlements be established outside of the regular Bureau funding scheme. Since virtually all of the proposed settlements benefit non-Indian land owners and water users and are necessary to clarify, and to bring legal certainty to, the rights of tribes vis-a-vis non-Indians. The settlement funds should not be required to be offset against program funding of the Bureau of Indian Affairs which are directed to all Indians for whom the Federal government is exercising its trust responsibility.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Administration has proposed to eliminate funding for all Indian housing. The Committee strongly recommends inclusion of 2,000 units of housing for Indian country as being the absolute minimum authorization to prevent further slippage in the critical shortage of decent, safe and sanitary housing on Indian lands.

INDIAN HEALTH SERVICE BUDGET

The Indian Health Service (IHS) is the primary Federal agency responsible for raising to the highest level possible the health of American Indians and Alaska Natives by providing a full range of curative, preventive and rehabilitative health services. IHS serves approximately 1 million members of Federally-recognized tribes who live on or near reservations, or in traditional Indian country, such as Oklahoma and Alaska. Direct health services are provided through the operation of 43 hospitals, 66 health centers, 5 school health centers, and approximately 100 smaller health stations and satellite clinics. The tribal health delivery system administered by tribes and tribal groups through contracts with IHS operates 7 hospitals, 73 health centers, 2 school health centers and approximately 250 smaller health stations and clinics. As with the BIA, the primary legislative authority for IHS programs is the Snyder Act. Additional legislative authority for IHS programs is contained in the Indian Health Care Improvement Act of 1976 and subsequent amendments to that Act.

In FY 1989 Congress appropriated $1,081,774,000 for the IHS. This included $1,020,106,000 for Indian Health Services and $61,668,000 for Indian Health Facilities. The President's budget for fiscal year 1990 proposes a total of $1,083,399,000 for the IHS. This represents an increase of $1,625,000 for the health care services operated directly by the Indian Health Service and for contract care. While the Administration proposes a .99 percent increase in the IHS, this will seriously handicap the Indian Health Service in meeting the 7.0 percent increase in the costs of providing medical care as projected by the Congressional Budget Office based upon the Consumer Price Index.

The Committee recommends a total appropriation of $1,227,965,000 in FY 1990, this includes $1,162,067,000 for Indian Health Services and $65,898,000 for Indian Health Facilities. The total reflects a modest 1.13 percent increase in the provision of health services over the FY 1989 appropriation. The increases recommended by the Committee are authorized under recent enactment of three major Acts: P.L. 100-452, the Indian Self Determination and Education Assistance Amendments of 1988; P.L. 100-690, the Anti-Drug Abuse Act of 1988; and, P.L. 100-713, the Indian Health Care Amendments of 1988.

A more detailed, program by program breakdown of these proposed increases and a narrative explanation of the changes and certain budget policy initiatives follows:

HEALTH DELIVERY SYSTEMS

CLINICAL SERVICES. It is recommended that Hospitals and Clinics receive an increase of $27,905,000 over the Administration's request to fully fund indirect costs, tribal action plans and staffing of youth treatment centers. An appropriation of $49.7 million is requested by the Administration for indirect costs for tribal contracts. In addition, the Administration is assuming that they can use $23 million from private insurance collections for indirect costs for a total of $73.1 million. However, Section 207 of the Indian Health Care Improvement Act Amendments (P.L. 100-713) prohibits IHS from offsetting the budget by using third party collections and requires that collections shall be retained by IHS or a tribal contractor under the Indian Self-Determination Act for use at the collecting facility. Therefore, the funding recommended by the Committee over the IHS request for Indirect Costs is $23,405,000 and the remaining appropriation for Hospitals and Clinics is $4,500,000 which is intended to address P.L. 100-690 program activities. The Alcoholism budget includes an additional $4,000,000 over the Administration request to continue employee training and community education on substance abuse. As authorized by P.L. 100-690, the Contract Health Services budget is recommended for an increase of $10,000,000 to make available contract services in substance abuse and family treatment. A new budget activity in the amount of $19,000,000 is added to the Clinical Services Account for the Indian Health Care Improvement Fund as authorized by P.L. 100-713 to enable tribes to achieve parity in funding.

PREVENTIVE HEALTH. The Committee recommends that Sanitation be increased by $3,850,000 over the administration request to fund emergency repairs to tribal sanitation facilities and the cost of providing technical assistance to tribes.

URBAN HEALTH. A $5,000,000 increase over the Administration request is provided to urban health projects to initiate substance abuse programs as authorized by P.L. 100-690. The $300,000 transfer from the IHS to the Office of Assistant Secretary of Health (OASH) for AIDs Research and Education is denied under the Committee's recommendation to effectively allow urban Indian programs to provide for their own community-based efforts in preventing the spread of AIDs.

HEALTH MANPOWER. To address severe manpower shortages within the Indian Health Service, P.L. 100-713 authorized the following new programs to retain and recruit clinical providers into the Service. Although these programs were authorized, the Administration's request did not include: $5,000,000 for the Nurse Program; $1,000,000 for the Tribal Recruitment and Retention Program; $3,200,000 for a Retention Bonus Program; $1,000,000 to provide for educational instruction of IHS employees on tribal culture; $1,500,000 for community college Health Training Programs; and, $600,000 for the Incentive Pay Program. Each of these programs is recommended for funding by the Committee under the Indian Health Manpower account.

TRIBAL MANAGEMENT. An increase of $500,000 over the Administration's request to fund the Demonstration Projects for Tribal Management for the phased assumption of the entire IHS delivery system is recommended.

DIRECT OPERATIONS. The IHS budget proposes that an expected increase in pay costs because of within grade raises under the Pay Act be absorbed by program funding. This cost is projected at $4,118,000. The Committee recommends that this proposal be rejected and that the full amount be restored to the budget. This increase should be integrated into the Direct Operations program.

INDIAN HEALTH FACILITIES

HEALTH FACILITIES AND SANITATION CONSTRUCTION. The IHS budget proposes to merge the Construction account with the Services account. As recommended in past years, the Committee strongly opposes this budget policy initiative and suggests that the funding levels be restored beyond the $10,000,000 recommended by the Administration. The following sums are recommended for each of these type of facilities: Hospital construction, $12,400,000; Outpatient Facilities, $8,760,000; Personnel Quarters, $10,738,000; and, Regional Treatment Centers, $3,000,000. Sanitation facilities is recommended at $31,000,000 to complete construction of 1,000 BIA-HIP and 2,000 Tribal/Other homes projects. This sum of money will fall seriously short of meeting the $600 million backlog arising from the 21,000 homes which have not received water and sewer sanitation services across the U.S.

Those facilities which can be obligated in FY 1990 include the following:

Indian Health Facilities

Hospitals

Kotzebue, AK	$ 2,150,000
Crow, MT	250,000

Outpatient Facilities

Wagner, SD	$ 303,000
Sallisaw, OK	3,759,000
Taos, NM	2,116,000
Pinion, AZ	850,000
Montezuma Creek, UT	750,000
White Earth, MN	982,000

Personnel Quarters

Kotzebue, AK	$1,728,000
Barrow, AK	9,010,000
Regional Treatment Centers	$3,000,000
SUBTOTAL	**$24,898,000**
SANITATION FACILITIES	**$31,000,000**
FACILITIES TOTAL	**$55,898,000**

BUDGET POLICY INITIATIVES

Additionally, the Committee notes that in some of the programs within the IHS there are several areas of concern for which there are included the following specific recommendations.

Creation of Tribal Health and Federal Health Appropriations Accounts. The Administration's FY 1990 budget proposes the creation of two separate appropriations accounts for IHS: the Tribal Health Administration and the Federal Indian Health Administration. The Tribal Health account would provide funding for health programs operated by Indian tribes under Self-Determination contracts. The Federal account would fund programs which are continued under direct IHS operation.

The IHS explains its proposal to divide the budget into tribal and federal portions, in the following statement: "A separate request for Tribal Health Administration will highlight the importance of tribes and tribal organizations in providing health care services as well as the potential for expansion in tribal administration. The separate Tribal Health Administration request will do much to assist in reaching our FY 1999 goal of entrusting 75 percent of Indian Health Hospitals and Clinics to Tribal Health Administration." The Committee is not aware of any consultative efforts made by the Administration, in collaboration with the tribes, to support this goal.

Therefore, the Committee recommends that the Administration's proposal to separate these two accounts be rejected. While there may be merit to this separation of funding accounts, it is being done at OMB's direction without any tribal consultation. It is also implied that it is OMB's purpose to gently coerce tribes into more contracting of IHS programs under the Self-Determination Act which is contrary to the Administration's policy of self-determination.

Proposed Merger of Services & Facilities Appropriation Accounts. As noted earlier and in previous years, the Administration has recommended the merger of Health Services and the Health Facilities budgets, thereby creating one overall IHS budget.

Within the budget, the Maintenance and Repair line item (the program which funds routine repairs) would be transferred from Clinical Services to the proposed all-inclusive line item for facilities. Congress has rejected this proposed merger of accounts for the past eight years and the Committee remains firm in its position. The Maintenance & Repair activity and the Repair and Improvement activity should remain within their original designated part of the budget structure. Further, the tables and object classification, should remain the same under the current activity and subactivity account coding. It is recommended that the bill language, with those new initiatives supported by the Appropriation committees, remain consistent with FY 89 and previous years.

Projected Collection of Private Insurance Reimbursements. The Administration projects that it will collect $40,000,000 in reimbursements from third party private health insurers for services provided to Indians in IHS facilities. The committee strongly opposes the assumption that $40 million will be collected from private health insurers, and notes that within the FY 1988 Budget request, the IHS had proposed to collect only $8,000,000 employing intensive efforts. Predicated upon these factors, it is highly unlikely that IHS will be able to collect these funds. It is Committee's position that health programs should not have to bear the costs projected to be paid from these estimated collections if these funds are not indeed collected.

This does not diminish the Committee's anticipation that private insurance reimbursements will be collected effectively by tribes because these funds allow for local service delivery improvements. In those instances, the implementation of the new provision under P.L. 100-713, which addresses third party collections shall be closely monitored by the Committee to ensure that tribes do not experience problems with private reimbursements.

Within Grade Pay Increases. It was acknowledged earlier that the IHS budget proposes that an expected increase in pay costs because of within grade raises be absorbed by program funding. Although, this cost is projected at $4,118,000 and was recommended for restoration, the Committee is concerned that further staff reductions will result from program absorptions. The Committee recommends that the IHS provide a full explanation, program by program, of how many staff received Pay Act increases and what reductions in staff were made as a result of these increases.

Another concern which is obscurely presented within the budget is an apparent limitation on the number of Full Time Equivalent Employees (FTEs). This limitation on FTEs appears within the context of a partial absorption of within grade increases through management savings and is noted throughout the budget request. An apparent reduction of 343 FTEs should be noted, with a potential loss of as much as 13 percent of staff, which would appear to threaten levels of service. There is no basis for setting a ceiling or cap on FTEs especially since there is FY 1989 Appropriation bill language which does not allow for a ceiling on FTEs, as well as similar language in the Indian Health Care Improvement Act. OMB proposes to delete the language in the appropriations bill. The Committee recommends that the language be retained.

Funding of Anchorage Hospital. The replacement of the IHS regional hospital at Anchorage, Alaska, is a top priority for IHS facilities construction. The existing hospital is located on a known earthquake fault. The projected cost of the new hospital is approximately $125,000,000. Given tight budget constraints, the appropriation of funds to begin construction of the facility is unlikely. Yet, as the top priority, the facility's priority prevents other needed facilities from being considered for funding.

The Committee is aware of a proposal to fund construction of the facility with private funding under a lease purchase arrangement. The Committee is advised that IHS does not have authority for this kind of arrangement. The Appropriations Committee may want to consider the use of this arrangement for the Anchorage hospital on an ad hoc basis.

SUMMARY - BUREAU OF INDIAN AFFAIRS
(In thousands of dollars)

APPROPRIATION	FY 1989 Approrpiation Currently Avail	FY 1990 Requested	+/- From FY 89	House Interior Recommended	+/- From Admin.	Senate Select Recommended	+/- From Admin.
Operation of Indian Programs	992,767	953,316	(39,451)	983,482	30,166	1,002,878	49,562
Construction	79,283	100,975	21,692	117.483	16,508	103,735	2,760
Miscellaneous Payments to Indians	13,952	29,255	15,303	82,490	53,235	96,855	67,600
Direct Loan Subsidies	0	3,175	3.175	0	(3,175)	0	(3.175)
Guaranteed Loan Subsidies	3,370	14,515	11,145	3,370	(11,145)	3,370	(11,145
Subtotal, Appropriations requested	1,089,372	1,101,236	11,864	1,186,825	85,589	1,206,838	105,602

BUREAU OF INDIAN AFFAIRS
OPERATION OF INDIAN PROGRAMS
Comparison of FY 1989 & FY 1990 Budgets
(In thousands of dollars)

APPROPRIATION ACCOUNT/ACTIVITY	FY 1989 Appropriated	FY 1990 Requested	+/- From FY 89	House Interior Recommended	+/- From Admin.	Senate Select Recommended	+/- From Admin.
EDUCATION:							
School Operations	186,643	192,534	5,891	x		200,195	7,661
Johnson-O'Malley	23,000	20,472	(2,528)			23,072	2,600
Continuing Education	26,314	25,002	(1,312)			31,380	6,378
Tribe/Agency Operations	32,546	32,142	(404)			32,742	600
Subtotal, Education	268,503	270,150	1,647	270,150	0	287,389	17,239
INDIAN SERVICES:							
Tribal Governments Services	8,786	7,526	(1,260)	10,276	2,750	7,776	250
Social Services	93,222	84,138	(9,084)	91,630	7,492	102,138	18,000
Law Enforcement	4,016	5,121	1,105	7,621	2,500	6,621	1,500
Self-Determination Services	57,644	51,626	(6,018)	59,935	8,309	57,056	5,430
Employment Development	2,685	2,099	(586)	2,099	0	2,799	700
Tribe/Agency Operations	124,812	127,991	3,179	131,369	3,378	129,191	1,200
Subtotal, Indian Services	291,165	278,501	(12,664)	302,930	24,429	305,581	27,080
NAVAJO/HOPI SETTLEMENT PROGRAM	1,985	1,002	(983)	1,002	0	1,002	0
ECONOMIC DEVELOPMENT:							
Business Enterprise Development	10,801	10,398	(403)	10,398	0	10,398	0
Road Maintenance	30,975	0	(30,975)	0	0	0	0
Tribe/Agency Operations	3,523	3,542	19	3,542	0	3,542	0
Subtotal, Economic Development	45,299	13,940	(31,359)	13,940	0	13,940	0

APPROPRIATION ACCOUNT/ACTIVITY	FY 1989 Appropriated	FY 1990 Requested	+/- From FY 89	House Interior Recommended	+/- From Admin.	Senate Select Recommended	+/- From Admin.
NATURAL RESOURCES DEVELOPMENT:							
Forestry & Agriculture	82,223	91,927	9,704	95,241	3,314	95,241	3,314
Minerals & Mining	15,572	5,211	(10,361)	5,211	0	5,211	0
Tribe/Agency Operations	50,307	47,527	(2,780)	50,307	2,780	50,689	3,162
Subtotal, Nat. Res. Dev.	148,102	144,665	(3,437)	150,759	6,094	151,141	6,476
TRUST RESPONSIBILITIES:							
Indian Rights Protection	16,041	7,590	(8,451)	16,206	8,616	15,243	7,653
Real Estate/Financial Trust	19,262	20,212	950	20,212	0	17,799	(2,413)
Tribe/Agency Operations	23,495	23,930	435	23,930	0	23,930	0
Subtotal, Trust Respons.	58,798	51,732	(7,066)	60,348	8,616	56,972	5,240
FACILITIES MANAGEMENT	81,453	85,578	4,125	83,078	(2,500)	85,578	0
GENERAL ADMINISTRATION:							
Management & Administration	38,151	42,106	3,955	37,406	(4,700)	37,406	(4,700)
ADP Services	17,650	19,053	1,403	17,650	(1,403)	17,650	(1,403)
Employee Compensation Pmts.	14,962	18,481	3,519	18,481		18,481	0
Program Management	6,016	6,431	415	6,431		6,431	0
Consolidated Training Pgms.	840	840	0	840		840	0
Tribe/Agency Operations	19,843	20,837	994	20,467	(370)	20,467	(370)
Subtotal, Gen. Admin.	97,462	107,748	10,286	101,275	(6,473)	101,275	(6,473)
TOTAL APPROPRIATION	992,767	953,316	(39,451)	983,482	30,166	1,002,878	49,562

*The House Interior Committee has no legislative jurisdiction over Indian Education programs.

BUREAU OF INDIAN AFFAIRS
CBO Out-year Projections
(In thousands)

APPROPRIATION ACCOUNT/ACTIVITY	FY 1989 Appropriated	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
EDUCATION:						
School Operations	186,643	197,655	206,427	215,573	224,719	234,237
Johnson-O'Malley	23,000	24,357	25,438	26,565	27,692	28,865
Continuing Education	26,314	27,867	29,103	30,393	31,682	33,024
Tribe/Agency Operations	32,546	34,466	35,996	37,591	39,185	40,845
Subtotal, Education	268,503	284,345	296,964	310,121	323,278	336,971
INDIAN SERVICES:						
Tribal Governments Services	8,786	9,304	9,717	10,148	10,578	11,026
Social Services	93,222	98,722	103,104	107,671	112,239	116,934
Law Enforcement	4,016	4,253	4,442	4,638	4,835	5,040
Self-Determination Services	57,644	61,045	63,754	66,579	69,403	72,343
Employment Development	2,685	2,843	2,970	3,101	3,233	3,370
Tribe/Agency Operations	124,812	132,176	138,042	144,158	150,274	156,639
Subtotal, Indian Services	291,165	308,344	322,028	336,296	350,563	365,412
NAVAJO/HOPI SETTLEMENT PROGRAM	1,985	2,102	2,195	2,293	2,390	2,491
ECONOMIC DEVELOPMENT:						
Business Enterprise Development	10,801	11,438	11,946	12,475	13,004	13,555
Road Maintenance	30,975	32,803	34,258	35,776	37,294	38,874
Tribe/Agency Operations	3,523	3,731	3,896	4,069	4,242	4,421
Subtotal, Economic Development	45,299	47,972	50,101	52,320	54,540	56,850
NATURAL RESOURCES DEVELOPMENT:						
Forestry & Agriculture	82,223	87,074	90,939	94,968	98,996	103,190
Minerals & Mining	15,572	16,491	17,222	17,985	18,749	19,543
Tribe/Agency Operations	50,307	53,275	55,640	58,105	60,570	63,135
Subtotal, Nat. Res. Dev.	148,102	156,840	163,801	171,058	178,315	185,868

TRUST RESPONSIBILITIES						
Indian Rights Protection	16,041	16,387	17,742	18,527	19,313	20,131
Real Estate/Financial Trust	19,262	20,398	21,304	22,248	23,192	24,174
Tribe/Agency Operations	23,495	24,482	25,985	27,137	28,288	29,486
Subtotal, Trust Respons.	58,798	61,267	65,031	67,912	70,793	73,791
FACILITIES MANAGEMENT	81,453	86,259	90,037	94,078	98,069	102,224
GENERAL ADMINISTRATION						
Management & Administration	38,151	40,402	42,195	44,064	45,934	47,880
ADP Services	17,650	18,691	19,521	20,386	21,251	22,151
Employee Compensation Pmts.	14,362	15,445	16,548	17,281	18,014	18,777
Program Management	6,016	6,271	6,654	6,948	7,243	7,550
Consolidated Training Pgms.	840	890	929	970	1,011	1,054
Tribe/Agency Operations	19,843	21,014	21,946	22,919	23,891	24,903
Subtotal, Gen. Admin.	97,462	103,212	107,793	112,569	117,344	122,315
TOTAL APPROPRIATION	952,727	1,051,340	1,098,000	1,146,646	1,195,291	1,245,923

SUMMARY - BUREAU OF INDIAN AFFAIRS
CBO Out-year Projections
(In thousands)

APPROPRIATION	FY 1989 Appropriation	1990	1991	1992	1993	1994
Operation of Indian Programs	992,767	1,051,546	1,098,000	1,146,546	1,195,291	1,245,923
Construction	79,281	83,961	87,687	91,572	95,457	99,500
Miscellaneous Payments to Indians	13,952	14,775	15,431	16,115	16,798	17,510
Direct Loan Subsidies	0	0	0	0	0	0
Guaranteed Loan Subsidies	3,370	3,563	3,727	3,892	4,057	4,229
Subtotal, Appropriations requested	1,089,372	1,153,845	1,204,845	1,258,225	1,311,604	1,367,162

INDIAN HEALTH SERVICE
Comparison of FY 1989 & FY 1990 Budgets
(in thousands of dollars)

APPROPRIATION ACCOUNT/ACTIVITY	FY 1989 Appropriated	FY 1990 Requested	+/- From FY 89	HOUSE INTERIOR Recommended	+/- From Admin.	SENATE SELECT Recommended	+/- From Admin.
CLINICAL SERVICES							
Hospitals & Clinics	581,143	611,941	30,798	611,941	0	639,441	27,905 a)
Dental Health	31,485	33,148	1,663	33,148	0	33,148	0
Mental Health	13,091	13,582	491	13,582	0	13,582	0
Alcoholism	31,159	32,935	1,776	52,635	19,700	36,935	4,000 b)
Main. & Repair	11,756	12,177	421	12,177	0	12,177	0
Contract Health Services	214,454	226,656	12,202	229,656	3,000	236,656	10,000 b)
Improvement Fund	0	0	0	10,000	10,000	19,000	19,000 c)
PREVENTIVE HEALTH							
Sanitation	24,654	25,759	1,105	29,609	3,850	29,609	3,850 e)
Public Health Nursing	14,467	14,976	509	14,976	0	14,976	0
Health Education	4,651	4,843	192	4,843	0	4,843	0
Community Health Rep.	29,282	30,978	1,696	30,978	0	30,978	0
Hepatitis	417	438	21	438	0	438	0
URBAN HEALTH	9,962	10,164	202	12,164	2,000	15,164	5,000 b)d)
HEALTH MANPOWER	7,896	8,161	265	10,161	2,000	20,461	12,300 c)
TRIBAL MANAGEMENT	3,218	2,594	(624)	2,869	275	3,094	500 e)
DIRECT OPERATIONS	42,471	45,047	2,576	52,265	7,218	51,165	4,118 e)
Service Subtotal	1,020,106	1,073,399	53,293	1,121,442	48,043	1,162,067	86,973
INDIAN HEALTH FACILITIES							
Hospitals	8,007	10,000	1,993	12,400	2,400	17,869	7,869
Outpatient Facilities	11,661	0	(11,661)	8,760	8,760	16,407	16,407
Personnel Quarters	0	0	0	10,738	10,738	12,921	12,921
Regional Treatment Ctrs.	0	0	0	3,000	3,000	3,000	3,000 e)
Sanitation Facilities	42,000	0	(42,000)	31,000	31,000	31,000	31,000
Facilities Subtotal	61,668	10,000	(51,668)	65,898	55,898	81,197	71,197
IHS APPROPRIATION TOTAL	1,081,774	1,083,399	1,625	1,187,340	103,941	1,243,264	158,173

Footnotes:
a) includes $23,405,000 for additional indirect costs as authorized by P.L. 100-472 and $4,500,000 as authorized by P.L. 100-690.
b) includes the full appropriation as authorized by P.L. 100-690, the Anti-Drug Abuse Act Amendments.
c) includes the full appropriation as authorized by P.L. 100-713, the Indian Health Care Amendments of 1988.
d) includes $300,000 for AIDS Research and Education which was transferred to the OASH.
e) for restoration of program decreases/absorptions resulting from Pay Act within grade pay increases.

INDIAN HEALTH SERVICE
CBO Out-year Projections
(In thousands)

APPROPRIATION ACCOUNT/ACTIVITY	FY 1989 Appropriated	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
CLINICAL SERVICES						
Hospitals & Clinics	581,143	614,268	607,294	606,132	606,132	606,132
Dental Health	31,485	33,240	32,902	32,839	32,839	32,839
Mental Health	13,091	13,827	13,680	13,654	13,654	13,654
Alcoholism	31,159	32,935	32,561	32,499	32,499	32,499
Main. & Repair	11,756	12,426	12,285	12,262	12,262	12,262
Contract Health Services	214,454	226,678	224,104	223,676	223,676	223,676
Improvement Fund	0	0	0	0	0	0
PREVENTIVE HEALTH						
Sanitation	24,654	26,059	25,763	25,714	25,714	25,714
Public Health Nursing	14,467	15,292	15,118	15,089	15,089	15,089
Health Education	4,651	4,916	4,860	4,851	4,851	4,851
Community Health Rep.	29,282	30,951	30,600	30,541	30,541	30,541
Hepatitis	417	441	436	435	435	435
URBAN HEALTH	9,962	10,530	10,410	10,390	10,390	10,390
HEALTH MANPOWER	7,896	8,346	8,251	8,236	8,236	8,236
TRIBAL MANAGEMENT	3,218	3,401	3,362	3,356	3,356	3,356
DIRECT OPERATIONS	42,471	44,892	44,382	44,297	44,297	44,297
Service Subtotal	1,020,106	1,078,252	1,066,011	1,063,971	1,063,971	1,063,971
INDIAN HEALTH FACILITIES						
Hospitals	8,007	8,463	8,367	8,351	8,351	8,351
Outpatient Facilities	11,661	12,326	12,186	12,162	12,162	12,162
Personnel Quarters	0	0	0	0	0	0
Regional Treatment Ctrs.	0	0	0	0	0	0
Sanitation Facilities	42,000	44,394	43,890	43,806	43,806	43,806
Facilities Subtotal	61,668	65,183	64,443	64,320	64,320	64,320
IHS APPROPRIATION TOTAL	1,081,774	1,143,435	1,130,454	1,128,290	1,128,290	1,128,290

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United States Senate

SELECT COMMITTEE ON INDIAN AFFAIRS

WASHINGTON, DC 20510-6450

March 8, 1989

The Honorable Jim Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman and Senator Domenici:

I am writing to provide you with an additional view on one item within the Bureau of Indian Affairs budget that was not included in the report of the Select Committee on Indian Affairs on the President's budget request for Fiscal Year 1990.

This particular item concerns Social Services funding which is discussed on page three of the Committee's report. Specifically, the Committee has recommended an increase of $13 million to cover general assistance costs in the states of Alaska, Oregon, and Washington while accepting the Bureau's rationale that the state of Arizona will assume the cost of providing, in this case, institutional care services for Indian adults. The increase for the three states is premised on the fact that the BIA will be required to assume general assistance payment obligations for Indians in these states as a result of recent Federal court decisions. However, the exact circumstances also apply to the state of Arizona. In fact, Arizona's Medicaid-based program, AHCCS, has denied a responsibility for this care, and has recently won Federal court decisions supporting their position.

In light of this situation, I am requesting that you include an additional $1,900,000 for the state of Arizona in this particular activity. This increase would bring the Bureau of Indian Affairs' budget to a new total of $1,004,778,000.

If you have any questions concerning this request, please do not hesitate to have your staff contact Mr. Eric Eberhard at 4-2251. Thank you for your attention to this request.

Sincerely,

John McCain

John McCain
United States Senator

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United States Senate
SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510-6475

SSCI #89-0915

March 8, 1989

The Honorable Jim Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Republican Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Senator Sasser and Senator Domenici:

Thank you for your letter of February 1, 1989, requesting the Select Committee's budget estimates for certain intelligence activities. Consistent with your request, the attached report covers the resource requirements for the Intelligence Community Staff and the Central Intelligence Agency Retirement and Disability System for fiscal years 1990 through 1994.

The Select Committtee is currently in the process of reviewing the Fiscal Years 1990 and 1991 budget requests for the National Foreign Intelligence Program, to include those activities addressed in the attached report. If our recommendations should change dramatically, we will, of course, so inform your Committee.

Sincerely,

David L. Boren

David L. Boren
Chairman

Bill Cohen

William S. Cohen
Vice Chairman

Attachment

SELECT COMMITTEE ON INTELLIGENCE
REPORT ON
NATIONAL INTELLIGENCE ACTIVITIES
FY 1990-1994

MARCH 8, 1989

SELECT COMMITTEE ON INTELLIGENCE
INTELLIGENCE BUDGET DATA

The Senate Select Committee on Intelligence estimates the following funding levels for National Intelligence Activities for fiscal years 1990-1994:

	(IN MILLIONS)				
	1990	1991	1992	1993	1994
NATIONAL INTELLIGENCE ACTIVITIES *	-	-	-	-	-
INTELLIGENCE COMMUNITY STAFF	24.1	24.4	24.7	24.9	25.1
CIA RETIREMENT AND DISABILITY SYSTEM	154.9	164.6	177.0	190.5	204.8

* Amounts for most national intelligence activities are classified and are incorporated into the budgets of other executive departments and agencies.

The National Foreign Intelligence Program (NFIP) encompasses those activities of the United States Government that are primarily concerned with providing intelligence support to national level policymaking needs. Most of the budget for national intelligence activities is classified and incorporated into the budgets of other executive departments and agencies (e.g. Department of Defense, Department of State, etc.). The budgets for two NFIP entities--the Intelligence Community Staff and the CIA Retirement and Disability System--are unclassified and are addressed in this report.

The Intelligence Community Staff (IC Staff) provides the Director of Central Intelligence (DCI) with staff assistance to carry out his intelligence community responsibilities. Specifically, IC Staff provides support to the DCI in the following areas: development, review and submission of the National Foreign Intelligence Program budget; evaluation of the performance of foreign intelligence activities; development of issues, goals and other required guidance for the Intelligence Community; and tasking of Intelligence Community activities for collection in support of established intelligence requirements.

The Central Intelligence Agency Retirement and

Disability System (CIARDS), established by the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (PL 88-643), provides retirement and disability benefits for a limited number of CIA employees. Under certain stipulated conditions a participant may retire with the consent of the DCI, or at his direction be retired at age 50 with 20 years service, or a participant with 25 years of service may be retired by the Director, regardless of age.

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United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, DC 20510-6400

March 13, 1989

The Honorable Jim Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Member
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Jim and Pete:

We are writing to respond to your request for our comments with regard to fiscal year 1990 budget priorities. We appreciate the opportunity to contribute to your Committee's development of the budget resolution. The enclosed budget summary and Aging Committee report describe both President Bush's and former President Reagan's fiscal year 1990 budget proposals as they would affect programs serving older Americans. A number of these proposals are particularly troubling to us, and we would like to take this opportunity to urge the Budget Committee to take note of our concerns.

We oppose the magnitude of the $5.1 billion in Medicare cuts contained in President Bush's budget. While these proposed savings are aimed primarily at hospitals and physicians, they are also of direct consequence to beneficiaries in their potential for seriously limiting access to essential and high quality care. We also firmly believe the proposal to make permanent the provision requiring that 25 percent of Medicare Part B program costs be financed by the elderly is, at best, premature until Congress and the Administration comprehensively address the program's out-of-control expenditures.

The proposed cuts in Medicare Part A hospital payments are especially troubling in light of increasing evidence of financial hardship among hospitals and the growing number of hospital closures. The budget includes particularly harsh cuts in payments to hospitals for capital and medical education. Further, the President's proposal to have a single update factor of 3.2 percent in hospital payments does not recognize the different costs and patient caseloads faced by various types of hospitals. It is significantly lower than the Prospective Payment Assessment Commission's recommendation of 5.6 percent for rural hospitals, 5.0 percent for large urban hospitals, and 4.5 percent for other urban hospitals. We believe the President's hospital update is inadequate and will unfairly burden hospitals, and rural hospitals in particular. If enacted, such a proposal would not only harm providers who have already incurred financial hardship under Medicare, but also harm beneficiaries who might be the victims of cost-saving sacrifices in access to and quality of medical care.

We are also concerned about the impact that the proposed $70 million cut in the administrative costs for Medicaid would have on the effectiveness of this program and the ability of states to implement federal Medicaid priorities. We applaud the President's desire to expand Medicaid coverage to needy pregnant women and infants who are above the poverty line and hope it will be possible to expand this protection even further. We believe, however, that financing this expansion by phasing out funding for the program's administration will undercut the ability of states to effectively implement these and other federal priorities and lead to sharp cutbacks in health care services for the needy.

We also support the expansion of the Medicaid program to permit states, at their option, to cover under their Medicaid programs community care for disabled elderly persons. This represents an expansion of Medicaid, and states would not be required to limit these services to those who are at-risk of institutionalization. We view this as a modest, but important, first step in providing needed noninstitutional long-term care services for chronically ill elderly.

With respect to programs serving the low-income elderly, we also urge the Budget Committee to give serious consideration to the need for additional resources to expand outreach efforts under Supplemental Security Insurance (SSI). Recent reports show that up to one-half of the eligible elderly do not participate in SSI, most often due to lack of information concerning the program. We hope the budget resolution will contain sufficient funding levels to remedy this and other deficiencies related to the SSI program.

Although the President does not request any reduction in benefits for those receiving Social Security, he would seek additional cuts in staffing at the Social Security Administration (SSA) originally proposed by President Reagan. In furtherance of the former Administration's plan to eliminate 17,000 SSA positions by 1990, President Reagan's fiscal year 1990 budget called for a 2,038 staff cut. The agency is in the process of modernizing its computers and administrative procedures and states that, as a result of these changes, it will be better able to serve Social Security beneficiaries. However, we continue to have concerns about the ability of SSA's field offices to provide high quality service to beneficiaries during this modernization process and believe that any further staff reductions should be closely monitored to assure that the quality of services does not decline.

In keeping with President Reagan's fiscal year 1990 budget, President Bush's plan would eliminate in 1990 and reduce in the out-years the cost-of-living adjustments for civil service, military and railroad (Tier 2) retirees. Without a full adjustment to offset the effects of inflation, these retirees will be unable to keep pace with increasing inflation rates. We believe it is unfair to single out this population of retirees who need inflation protection just as much as Social Security beneficiaries.

We are also concerned about the President's intentions regarding the funding of housing programs. To date, President Bush has made no specific statements on his budget proposals for housing with the exception of homeless programs and Farmers Home Administration (FmHA) programs, choosing instead to defer to the proposals made in the fiscal year 1990 Reagan budget for assisted housing. All other housing programs are likely to be subject to the freeze. The proposed fiscal year 1990 funding level of $6.6 billion for assisted housing programs at the Department of Housing and Urban Development represents a reduction of over 80 percent, controlled for inflation, since the $30 billion appropriation in FY 1981. Consistent with this disturbing trend, FmHA rural housing programs have been cut by over half.

A potentially serious development concerns expiring 15-year Section 8 certificates and 5-year Section 8 vouchers. Fiscal year 1990 will be the first year that any of these rent subsidy contracts expire. The Reagan budget allowed $667 million to replace (with vouchers) the 12,500 certificates and the 11,000 vouchers that will expire in fiscal year 1990. However, the numbers of expiring rent subsidies will escalate dramatically in fiscal year 1991 -- 256,000 certificates and 39,000 vouchers will expire, with a CBO-estimated replacement cost of $23 billion (assuming the same mix of vouchers and certificates would be used; the cost would be lower if all were replaced with vouchers). It is clear that we must do something to avert the potential disaster that would occur if these numbers of subsidies are permitted to expire without replacement.

We believe the time has come to reassert our commitment to providing safe and affordable housing to Americans of all ages, including the elderly. Therefore, we urge you not only to reject the President's proposed cuts in housing programs, but also to work to formulate a Federal housing policy that will ensure that the shelter needs of all Americans are being met.

Under President Bush's budget, spending for health professions education and training, services under the Older American's Act, social services, and legal assistance would be subject to the flexible freeze. In the absence of details on how the freeze would affect these programs, we can only look to President Reagan's budget for direction -- which provides for significant cuts and terminations in these critical programs. We strongly oppose these proposals which ignore the growing need for health professionals trained in geriatrics and primary care, the severe nursing shortage in acute and long term care settings, and the need for community-based services targeted to rural, low-income, chronically-ill, and other high risk elderly populations.

The Honorable Jim Sasser
The Honorable Pete Domenici
March 13, 1989
Page 4

Finally, we are deeply disturbed that President Bush, like his predecessor, has singled out the Low Income Energy Assistance Program (LIHEAP) for a $340 million funding cut. This vital program for vulnerable low-income persons has already been the target of massive cuts since since 1985. We believe continued major cuts to the LIHEAP program would be especially devastating to the 40 percent of program recipients who are elderly because this population is particularly susceptible to hypothermia or heat stroke. The perception that states use monies from oil overcharge allocations to fill the gap imposed by the federal cuts is simply not accurate and we urge that the Committee restore this vital program to its 1987 funding level of $1.8 billion.

In the development of the Senate budget resolution for fiscal year 1990, we hope that programs serving the elderly will receive the funding targets needed for them to remain effective. We appreciate your consideration of our concerns and look forward to working with you on balancing the very real needs of our elderly, our children and our poor with the need to reduce the federal deficit.

Sincerely,

Chairman

Ranking Member

DP/JH/ac
Enclosures

FY90 BUDGET SUMMARY
COMPARISON OF BUSH/REAGAN BUDGETS FOR AGING PROGRAMS

Senate Special Committee on Aging
March 13, 1989

To Accompany January, 1989 Staff Report

"President Reagan's Proposed FY90 Budget for Aging Programs

(Outlays in Millions)

	Bush/Reagan FY90 Budgets	Percent Off Current Services
MEDICARE		
Savings:		
Bush	-$ 5,100	- 5.0%
Reagan	-$ 5,000	- 5.0%
New Revenues:		
Both - HI Tax	+$ 2,027	
Part B Premium	+$ 585	
Highlights:	Savings (legislative changes) in Bush budget are comparable to Reagan's. Bush cuts additional $115 million in unspecified administrative costs (4% cut below current services). These are discretionary funds subject to the flexible freeze. Both budgets tie Part B Premium to 25% of program costs and extend HI tax to all state and local employees.	
Medicaid		
Bush	+$ 218	+ 0.6%
Reagan	-$1,437	- 4.0%
Highlights:	Bush drops Reagan's $1,100 million cut in federal participation. Includes $70 million cut in federal administrative match to cover cost of expanded coverage of pregnant women and infants, infant mortality and immunization initiatives. Would phase all categories of administrative costs down to 50% match rate by FY92, and some in FY90.	
VETERANS HEALTH		
Bush	no details	
Reagan	+$ 85	+ 9.0%
Savings	-$ 1	- 0.2%
New Receipts	+$ 86	+ 28.0%
Highlights:	VA programs subset to "flexible freeze" but are cited as possible targets for increase. Possible offsets provided as example are cuts in State energy conservation grants. Derwinski has pledged to request a supplemental of $520 million for hospital care.	

	FY90 Budget	% Off Current Services
NIH (non-AIDS)		
(budget authority)		
Bush & Reagan	+$ 123	+ 5.3%
Highlights:	Bush budget same as Reagan for NIH overall. No details by Institute.	
HRSA - HEALTH ED		
Bush	no details	
Reagan		
Hlth Profession	-$ 236	-100.0%
Hlth. Serv. Corp	-$ 20	- 50.0%
Hlth. Ed. Loans	-$ 28	- 65.0%
Highlights:	Falls under flexible freeze. Expect cuts and terminations along lines of Reagan budget.	
RETIREE PROGRAMS		
Bush & Reagan		
RRR-Tier II	-$ 32	- 0.1%
Civilian	-$2,500	- 7.8%
Military	-$ 617	- 3.0%
Highlights:	Both Bush and Reagan allow for no COLA in FY90, index future increases to CPI minus 1 percent.	
VETERANS COMP.		
Bush	no details	
Reagan	+$ 318	+ 2.8%
Highlights:	Bush budget is silent on veterans compensation, but not listed in COLA freezes. Reagan budget linked increases to CPI after FY91 rather than annually legislating COLAs and included supplemental request of $701 million.	
OLDER AMER. ACT		
Bush	no details	
Reagan	-$ 20	- 2.0%
Highlights:	Included under flexible freeze - detail unknown. Reagan cut from some but not all Titles under Act.	

	FY90 Budget	% Off Current Services
COMMUNITY SERVICES		
Bush	no details	
Reagan	-$ 272	- 70.0%
Highlights:	Included under flexible freeze - details unknown. Reagan budget would phase-out of Community Services Block Grant by FY92.	
HOUSING/ENERGY ASSIST.		
Bush	no details	
Reagan		
Sec. 202	-$ 215	- 60.0%
Congregate	-$ --	--
Energy Assist.	-$ 303	- 21.0%
Highlights:	Included under flexible freeze - details unknown. Reagan budget cut Sec. 202, reduced units for elderly versus handicapped -- beyond mandated share and phased-out congregate housing in FY91.	
LEGAL SERVICES		
Bush	no details	
Reagan		
Legal Serv. Corp	-$ 278	- 87.0%
Highlights:	Included under flexible freeze - details unknown. Reagan budget phased-out of LSC by FY91.	

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United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, DC 20510-6400

February 6, 1989

Dear Colleague:

As Chairman and Ranking Member of the Senate Special Committee on Aging, we are pleased to provide you with the enclosed summary of President Reagan's proposed fiscal year 1990 budget for aging programs.

This information paper, prepared by the Committee's minority staff, is the first of two budget summaries to be released by the Committee. A second, updated analysis will be made available within the next few weeks that compares the Reagan budget plan to that proposed by President Bush in February.

Our intention in releasing these reports is to provide information on the Administration's full range of budget proposals, regulatory initiatives and legislative reforms affecting older persons. If you have any questions, please do not hesitate to contact the Committee staff at 224-5364 (majority) or 224-1467 (minority).

Sincerely,

David Pryor
DAVID PRYOR
Chairman

John Heinz
JOHN HEINZ
Ranking Minority Member

INFORMATION PAPER

PRESIDENT REAGAN'S PROPOSED FY90 BUDGET FOR AGING PROGRAMS

SENATE SPECIAL COMMITTEE ON AGING
Staff Report

January, 1989

PREFACE

Attached, by program area, are highlights of President Reagan's proposed budget, regulatory initiatives, and legislative reforms for aging-related programs for fiscal year 1990. Included are programs under Medicare and Medicaid; income and retirement programs; Veterans benefits; health and social service programs; and education, training and research programs.

This information paper, prepared by the minority staff of the Committee, is the first of two budget summaries to be released by the Committee that analyze the full range of FY90 budget proposals affecting older persons. A second, updated analysis will be made available within the next few weeks that compares the Reagan budget to the budget scheduled to be released by President Bush on February 9, 1989.

In each program area, the proposed spending and revenue levels for FY90 through FY92 in the Reagan budget are analyzed against current service projections under current law, as measured by the Office of Management and Budget. Budget outlay, rather than budget authority figures are used throughout unless otherwise noted. Where available, program impact data are also provided.

Questions regarding this document should be directed to the Senate Special Committee on Aging minority staff at 224-1467.

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SECTION I
BUDGET OVERVIEW

The Reagan budget proposes a total FY'90 spending level of $1.152 trillion (outlays) and receipts totaling $1.059 tillion for a total deficit of $92.5 billion. The deficit target is $7.5 billion below the $100 billion target required by G-R-H and $17.5 billion below the deficit threshold ($110 billion) that would trigger automatic sequestration. The budget also proposes to go beyond G-R-H deficit targets in both FY91 and FY92 to generate a surplus of $2.4 billion in FY93 — the target year for reducing the deficit to $0.

OVERALL BUDGET
(Outlays in Billions)

	Actual	Estimated				
	FY88	FY89	FY90	FY91	FY92	FY93
Proposed Receipts:	909	976	1,059	1,141	1,212	1,281
Proposed Spending:	1,064	1,137	1,152	1,207	1,244	1,279
Deficit/Surplus:	-155	-162	-93	-67	-32	+2
G-R-H Targets:	-144	-136	-100	-64	-28	0

Highlights

- $7.0 billion FY90 deficit falls below G-R-H target. Requires $35 billion in deficit reduction.
- Reagan plan would create $2 billion surplus in FY93 - the G-R-H target year for reducing deficit to $0.
- Proposed FY90 deficit could be $17.5 billion more than actually needed to avoid sequestration:

$127 billion (OMB estimate of FY90 deficit)
-$110 billion (actual sequestration threshold)
$ 17 billion (deficit reduction required vrs $34.5 in Reagan FY90 budget)

SECTION II
HIGHLIGHTS OF BUDGET PROPOSALS AFFECTING AGING PROGRAMS

With few exceptions, Reagan's FY90 savings and revenue proposals for aging programs have been either been included in previous budget proposals by the Administration or involve further savings and revenue increases in areas previously passed into law.

Previous Proposals include reductions in payments to Medicare providers (extensions and deeper cuts in provider payments along the same lines as the Omnibus Reconciliation Act of 1987); increased Medicare Part B premiums and extension of Hospital Insurance (HI) payroll tax (and Medicare coverage) to all state and local employees; reductions in federal Medicaid contributions; cuts in medical education, housing, energy assistance programs; and the elimination of selected health, social service, legal aide, professional training, and housing programs.

New proposals include a proposed reduction in the federal Medicaid match; restrictions and copays on VA health services affecting service-connected as well as non-service connected veterans; a one-year COLA freeze for civil, military and Tier II Railroad retirees and subsequent indexing of benefit increases to inflation (CPI) minus one percent.

(Outlays in Billions)

	Reagan FY90 Budget	Percent Off Current Services	
MEDICARE	-$6.9	- 7.0%	Page 6
Total Savings	-$4.3	- 4.5%	
Part A	-$3.3	- 5.4%	
Part B	-$1.2	- 2.6%	
Cat.	-$0.1	- 6.0%	
Offsets			
Part B Prem.	+$0.3	+ 2.5%	
New Receipts	+$2.6	+ 22.0%	
State/Local HI	+$2.0	+ 17.0%	
25% Part B Prem.	+$0.6	+ 5.0%	
Highlights:	Main targets for cuts include Part A Capital, IME, & PPS updates and Part B non-primary care physicians & overpriced procedures.		

(Outlays in Millions)

	Reagan FY90 Budget	Percent Off Current Services	
MEDICAID	-$1,437	- 4.0%	Page 11
Highlights:	Includes $1.1 billion cut in federal participation and $352 million cut in federal administrative match.		
VETERANS HEALTH	+$ 85	+ 9.0%	Page 12
Savings	-$ 1	- 0.2%	
New Receipts	+$ 86	+ 28.0%	
Highlights:	Assumes cut in service levels (20,884 fewer inpatients, 10,869 fewer dom & NH beds; co-pay for NSC vets, 3rd party collections for SC vets rated 0-20% disabled. No supplemental request despite estimated $400 million shortfall.		
NIH (non-AIDS)	+$ 123	+ 5.3%	Page 13
NIA	+$ 2	+ 0.1%	
Highlights:	Includes funds for new Deafness Institute, reduces number of grant awards by 357 (2%).		
HRSA - HEALTH ED			Page 14
Hlth Profession	-$ 236	-100.0%	
Hlth. Serv. Corp	-$ 20	- 50.0%	
Hlth. Ed. Loans	-$ 28	- 65.0%	
Highlights:	Eliminate health professions program, require copays to offset loan default costs.		
RAILROAD RETIREMENT			Page 19
RR Retir Tier II	-$ 32	- 0.1%	
Highlights:	"Privatize" RR Retirement, freeze 1990 COLA on Tier II and lower COLA to CPI minus 1 percent thereafter, reduce Federal subsidy for vested dual benefits		
FEDERAL CIVILIAN AND MILITARY RETIREMENT			Page 20
Civilian	-$2,500	- 7.8%	
Military	-$ 617	- 3.0%	
Highlights:	Freeze 1990 COLA, index future increases to CPI minus 1 percent.		

	(Outlays in Millions) Reagan FY90 Budget	Percent Off Current Services	
VETERANS COMP.	**+$ 318**	**+ 2.8%**	**Page 23**
Highlights:	**Would link compensation increases to CPI after FY91 rather than annually legislating COLAs. Includes supplemental request of $701 million.**		
OLDER AMER. ACT	**-$ 20**	**- 2.0%**	**Page 25**
Highlights:	**Reductions in some but not all Titles. Maintains current services in newly authorized Title IIId Frail Elderly Program.**		
COMMUNITY SERVICES			Page 26
Community Serv.	-$ 272	- 70.0%	
Highlights:	Phase-out of Community Services Block Grant by FY92. Social Services Block to take up some of slack, but no new monies provided to do so.		
HOUSING/ENERGY ASSIST.			Page 28
Sec. 202	-$ 215	- 60.0%	
Congregate	-$ —	--	
Energy Assist.	-$ 303	- 21.0%	
Highlights:	Along with cut in Sec. 202 is cut in units for elderly versus handicapped -- beyond mandated share. Phase-out congregate housing in FY91.		
LEGAL SERVICES			Page 29
Legal Serv. Corp	-$ 278	- 87.0%	
Highlights:	Phase-out of LSC by FY91.		

SECTION III

DETAILED PROGRAM ANALYSES

MEDICARE SAVINGS & RECEIPTS
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
OUTLAYS:					
MEDICARE PART A (HI)					
Current Services	52,730	58,383	64,290	70,317	76,614
*Adjusted Current Serv.	52,730	58,383	65,220	71,507	77,914
Reagan Budget			61,894	67,295	73,290
Proposed Change:			-3,326	-4,212	-4,624
(Off Adjusted)			(-5.4%)	(-6.3%)	(-6.3%)
MEDICARE PART B (SMI)					
Current Services	34,947	39,901	45,833	52,648	60,699
*Adjusted Current Serv.	34,947	39,901	46,023	52,978	61,109
Reagan Budget			44,848	50,433	57,284
Proposed Change:			-1,175	-2,545	-3,825
(Off Adjusted)			(-2.6%)	(-5.0%)	(-6.7%)
CATASTROPHIC OFFSETS (SMI/HI)					
Current Services		123	1,724	3,509	4,619
Reagan Budget			1,623	3,327	4,395
Proposed Change:			-101	-182	-224
			(-6.2%)	(-5.5%)	(-5.1%)
MEDICARE CATASTROPHIC DRUG					
Current Services			150	1,831	3,994
Reagan Budget (No Change)			150	1,831	3,994
RECEIPTS:					
PART B PREMIUM OFFSETS					
Current Services	+8,798	+10,511	+12,066	+13,721	+15,416
Reagan Budget			+11,769	+13,108	+14,539
Proposed Change:			-296	-612	-876
			(-2.5%)	(-4.5%)	(-5.7%)
CATASTROPHIC PREMIUM					
Current Services		+1,163	+1,838	+2,130	+2,614
Reagan Budget (No Change)			+1,838	+2,130	+2,614
CATASTROPHIC DRUG PREMIUM					
Current Services				+593	+957
Reagan Budget (No Change)				+593	+957
NEW RECEIPTS					
HI Extension State/Local			+2,027	+2,125	+2,129
Part B Premium at 25%			+ 617	+1,715	+2,812

---

* Excludes savings and revenues included in Reagan's current services baseline that require legislative change.

TOTAL MEDICARE OUTLAYS
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Total Outlays					
Current Services	87,677	98,284	111,997	128,305	145,926
*Adjusted Current Serv.	87,677	98,284	113,117	129,825	147,636
Reagan Budget			108,515	122,886	138,963
**Proposed Change:			-4,602	-6,939	-8,673
(Off Adjusted)			(-4.0%)	(-5.0%)	(-6.0%)
Total Receipts					
Current Services	+8,798	+11,674	+13,904	+16,444	+18,987
Reagan Budget			+16,251	+19,671	+23,051
Proposed Change			+ 2,347	+ 3,227	+ 4,064
			(+17%)	(+20%)	(+21%)
TOTAL MEDICARE					
Current Services	78,879	86,610	98,093	111,861	126,939
*Adjusted Current Serv.	78,879	86,610	99,213	113,381	128,649
Reagan Budget			92,264	103,215	115,912
Proposed Change			- 6,949	-10,166	-12,737
(Off Adjusted)			(-7.0%)	(-9.1%)	(-10.0%)

---

* Excludes savings and revenues included in Reagan's current services baseline that require legislative change.

** Total net savings are less than amounts published in Reagan's budget. The Reagan proposal includes $548 million in regulatory savings that should be counted in current services baseline.

ANALYSIS - MEDICARE BUDGET

The Reagan budget proposal for Medicare calls for a total reduction in FY90 of $6.9 billion off current services. This includes $4.6 billion in program savings proposals and an additional $2.3 billion in revenues. As published, the Reagan budget purports Medicare savings of $3.5 billion due to the use of a higher current services baseline -- a baseline that assumes enactment of legislative reforms affecting capital and clinical lab payments. The budget also adds on another $548 million in regulatory savings that should be counted in the current services baseline.

Savings Proposals: Of the proposed FY90 savings, 72 percent are cuts in Part A hospital payments (the largest cuts being in indirect medical education and capital payments) and 25 percent are cuts in Part B payments (largely from non-primary care physician payment freeze and cuts in overpriced procedures). With few exceptions, the budget proposes extensions and reductions in payment reforms in the same areas targeted under OBRA'87 (hospital and physician updates, capital payments, IME/GME, clinical labs, overpriced procedures). The remainder of savings come from related reductions in provider payments under the new catastrophic benefit.

Spending Proposals: The budget calls for an increase in funds for quality assurance activities including a new "effectiveness" initiative ($52 million) out of the Public Health Service (half financed by Medicare trust funds and half from general revenues) and an increase of $32 million in the State Survey and Certification Program (in part, to implement OBRA'87-mandated nursing home and home health quality assurance activities).

Revenue Proposals: The Reagan budget again proposes to extend the HI tax to all state and local employees ($2.0 billion in FY90) and to permanently link the Part B beneficiary premium to 25 percent of Part B program costs ($617 million in FY90).

Catastrophic: The Reagan budget assumes the same cost and revenue projections assigned to the 1987 Catastrophic Health Bill for the implementation of the basic Medicare catastrophic benefit and the catastrophic drug benefit. DHHS projects, however, an under-funding of the drug benefit affecting program costs in FY91 and FY92.

I. PROPOSED REDUCTIONS FOR PARTS A&B

A PPS Updates: Savings: $625 million in FY90
Set PPS update at market basket minus 1.5 percent (3.2percent increase) for all hospitals. No differential is provided for the four categories of hospitals recognized under current law (PPS exempt, large urban, urban, and rural).

A Indirect Medical Education: Savings: $1,020 million in FY90. Reduce the IME factor from 7.7 percent (as set by OBRA'87) to 4.05 percent. The General Accounting Office has recommended that the IME factor be set at 5.09 percent. A formal recommendation is pending from the Prospective Payment Assessment Commission.

A Reduce Capital Payments 25%: Savings: $1,550 million in FY90. Rescind the OBRA'87 provision that provides for no reduction in capital payments in FY90 an reduce payments by 25percent. Note: The Reagan budget scores 15 percent of the total proposed cut ($930 million) in the current services baseline.

A/B Graduate Medical Education: Savings: $150 million in FY90. Prohibit reimbursement for certain program costs including physician supervision and classroom space. ($120 million in savings under Part A, $30 million from Part B.)

B Freeze Non-Primary Care Services: Savings: $375 mil. in FY90. Grant full MEI update (OMB estimates at 4.7 percent and CBO at 5.3 percent) for primary care services in FY90 and out years. Freeze payments for non-primary services in FY90, and grant 1 percent increase in prevailing charges in FY91 and FY92. Unlike OBRA'87, the budget makes no distinction in MEI levels for participating versus non-participating physician services.

B Overpriced Procedures: Savings: $100 million in FY90. Grant Secretary authority to reduce the 12 surgical procedures recognized as "overpriced" in OBRA'87 and other procedures up to an additional 12 percent.

B Clinical Lab Reductions: Savings: $190 million in FY90. Extend current payment method for clinical lab services rather than implementing national fee schedule as required under current law. Note: The Reagan budget counts these savings in the current services baseline.

B Radiology, Anes. and Surgery: Savings: $250 million in FY90. Cut payments for radiology, anesthesiology and surgery (RAS) services 8 percent.

B **Other Physician Payments: Savings: $70 million in FY90.** Phase-in increases in customary charges for new physicians over four years beginning at 80 percent of prevailing charges ($40 million); make further reductions in payments to surgeons for supervising nurse anesthetists ($15 million); set ceiling on prevailing charges for certain, unspecified high volume specialty services ($15 million).

B **Durable Medical Equipment: Savings: $160 million in FY90.** Change fee schedule for DME rental; cut oxygen payments 5percent, establish fee schedule for enteral products and supplies.

C **Catastrophic Benefit: Savings: $90 million in FY90.** Apply same savings reforms under Part A and B to basic catastrophic benefit, resulting in $90 million in savings off baseline scoring of 1988 catastrophic bill.

II. REVENUE PROPOSALS

B **Part B Premium: Revenues: $617 million in FY90.** Make permanent the 25 percent beneficiary share of program costs rather than reverting to indexing the annual premium increase to the COLA under current law, effective 1/1/90.

A **State & Local: New Revenues: $2,027 million in FY90.** The budget again proposes to extend the HI tax to state and local employees hired before 3/31/86.

MEDICAID

(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	30,462	34,292	37,398	41,356	45,373
Reagan Budget			35,961	39,369	43,015
Proposed Change:			-1,437	-1,987	-2,358
			(-4.0%)	(-5.0%)	(-5.5%)

The Reagan budget proposes three legislative changes that reduce federal outlays for Medicaid by 4 percent ($1,437 million) in FY90. The majority of the savings (76 percent) are based on a legislative proposal to reduce the total amount of Federal Financial Participation to States by $1.1 billion in FY90. A second legislative proposal would reduce the Federal match rate for Medicaid administrative costs (savings of $352 million). The budget's current services baseline also includes $213.3 million in savings from proposed regulatory reforms that have yet to be issued.

LEGISLATIVE PROPOSALS

Reduce Federal Participation: Savings: $1,100 million in FY90
Reduce Federal Financial participation to states by $1.1 billion in FY90 and create incentives for states to contain program growth under a predetermined target rate. A similar proposal was enacted under OBRA'81 that expired in FY84.

Reduce Federal Administrative Match: Savings: $352 mil. in FY90.
Reduce to 50 percent the federal match rate for administrative costs (rates now range from 50 percent to 90 percent based on state expenditure levels and average 56 percent). Freeze Medicaid grants for administration at the FY89 level, assuming a 50 percent federal matching rate.

Child Support Enforcement: Savings: $5 million in FY90.
Require open enrollment in insurance plans when child support is ordered and allow States to enroll children when absent parent refuses to do so. Require orders for medical support in all mandatory child support enforcement cases.

REGULATORY INITIATIVES

Five regulatory initiatives account for $213.3 million in budget savings in the FY90 baseline: Require state ambulatory surgery, preadmission testing and same day surgery programs ($80 million); limit use of private donations in determining state share ($65 million); clarify medically needy income levels for single individuals ($45 million); limit full federal match to only HCFA approved information systems ($18.2 million); clarify definition of medical versus educational services in intermediate care facilities for the mentally retarded ($5 million).

VETERANS HEALTH CARE
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
OUTLAYS:					
Total Health					
Current Services	10,842	11,233	11,055	11,477	11,733
Reagan Budget			11,140	11,575	11,836
Proposed Change:			+ 85 (+0.9%)	+ 98 (+0.9%)	+ 103 (+0.9%)
Reagan Budget:					
Medical Services			10,579	11,156	11,422
Construction			704	631	649
Med. Admin/Research			246	248	247
NEW RECEIPTS					
Current Services	+119	+138	+304	+361	+378
Reagan Budget			+390	+460	+482
Proposed Change:			+86 (+28%)	+99 (+27%)	+104 (+27.5%)

The Reagan budget for VA health care proposes only a slight increase off current services, reflecting both a cutback in service levels and increase in new receipts from income-related co-payments for health care and expanded third party collections for certain service connected veterans. The Reagan budget does not include a FY89 supplemental request for medical care, although 1988 hearings and reports by veterans service groups revealed that the VA may be operating at a shortfall of $400 million for medical care alone.

SERVICE REDUCTION AND COLLECTION PROPOSALS

- Reduce number of inpatients treated by 20,884 ($111 million in FY90 savings).
- Reduce number of domiciliary patients by 7,420 and transfer others to VA State Home Programs ($58 million in FY90 savings).
- Reduce number of veterans supported in community nursing homes by 3,449 ($99 million in FY90 savings).
- Require income-related copayments of non-service connected veterans ($3-$5.00 per prescription and $5-$10.00 per inpatient day and outpatient visit) and collect third party reimbursement for service-connected veterans with disabilities rated 20% or below (total FY90 savings of $86 million).

NATIONAL INSTITUTES OF HEALTH
(AIDS funding not included)
(in millions)

Budget Authority	Actual FY88	Estimated FY89	FY90	FY91	FY92
Total NIH:					
Current Services	6,051	6,455	6,654	6,435	6,506
Reagan Budget			6,777	n/a	n/a
Proposed Change:			123 (+5.3%)		
NIA					
Current Services		194	222.4	230.4	n/a
Reagan Budget			222.6	229.6	233
Proposed Change:			+0.2 (+0.1%)	-0.8 (-0.4%)	

Budget Authority by Institute:	FY90 Reagan Budget
Cancer	1,495
Heart, Lung and Blood	1,040
Dental Research	132
Diabetes, Diges. & Kidney	577
Neurological Disorders & Stroke	486
Allergy & Infectious Disease	443
General Medical Sciences	766
Child Health & Human Development	417
Eye Institute	234
Environmental Health	226
Arthritis, Musculoskeletal & Skin	167
Division of Research Resources	263
Center for Nursing Research	30
Deafness & Communication Disorders	91

* Budget authority figures are used for NIH due to multi-year funding involved with research contracts.

The Reagan budget proposes a 2 percent increase overall ($123 million) in FY90 funds for NIH above current services. The budget also proposes to decrease the total number of grant awards by 357 (from 20,090 in FY89 to 19,733 in FY90) and negotiate down for noncompeting and competing grant awards. All NIH figures also include monies for the education and training of health professionals.

HEALTH RESOURCES AND SERVICES ADMINISTRATION

Bureau of Health Professions
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Current Services	208	209	236	241	246
Reagan Budget			--	--	--
Proposed Change			-236 (-100%)		

The Bureau of Health Professions provides training assistance to health professionals, including nurses and students. Most recently, programs have emphasized training in geriatrics and primary care, improved minority participation, alleviation of geographical health manpower shortages, and quality assurance.

The Reagan budget again proposes to eliminate all funds for health professionals education in FY90. The Administration argues that the primary responsibility for the education and training of health professionals resides with the states and private sector and that federal assistance continues to be available under other programs such as Medicare's graduate medical education program (which the budget also proposes to reduce), HRSA's student loan programs, and Department of Education grants. The elimination of nursing education funds is justified on the grounds that the current nursing shortage cannot be addressed solely by Federal funds.

National Health Service Corps
(in millions)

	Actual FY88	Estimated FY89	FY90	FY91	FY92
Current Services	36	40	38	38	39
Reagan Budget			20	n/a	n/a
Proposed Change:			-20 (-50%)		

The National Health Services Corps provides scholarships and loan repayment for medical students in exchange for a commitment of practice in medically underserved areas upon completion of training. The Reagan budget proposes to reduce funding for the Corps by 50 percent in 1990 and to further shift responsibility for recruitment to States. The Administration argues that the number of obligated individuals in the Corps has declined and that responsibility for manpower recruitment should be at the State level. The $20 million proposed for FY90 also includes a freeze in support to States at the FY89 level of $8 million for the State Loan Repayment Program. The remaining $12 million is previously obligated scholarship money. Until last year NHSC predominantly provided scholarships. Now, the program is nearly exclusively a loan-repayment system. The need for this change is attributed by the Administration to an unacceptably high default rate on the service payback of these monies.

Health Education Assistance Loans (HEAL)
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Loan Insurance Fund					
Current Services	35	30	43	46	50
Reagan Budget:			15	n/a	n/a
Proposed Change:			-28 (-65%)		

The Health Education Assistance Loans program provides Federal loans to over 45,000 nursing and health professions students. The Reagan budget proposes to reduce support for education assistance loans by 65 percent off current services -- a level sufficient to guarantee $100 milion in new private loans to an estimated 10,000 students in health professions schools.

The budget also proposes to reduce loan default rates and reduce previous default losses by requiring that borrowers (lenders and participating schools) pay premiums sufficient to maintain fund solvency. Lenders would pay 20 percent of outstanding defaults and schools would pay 5 to 10 percent of the default balance, depending on the default record of the school's students. In addition, the budget proposes to transfer of $15 million from amounts returned to the Health Professions and Nursing Student Revolving Loan Funds to cover defaults of previous years.

COMMUNITY, MIGRANT AND OTHER HEALTH CENTERS
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Current Services	456	479	495	n/a	n/a
Reagan Budget			479	n/a	n/a
Proposed Change			-16 (-4%)		

The primary care programs fund 600 clinics nationwide to provide services to 6 million medically underserved persons. The Reagan budget proposes to freeze funding in 1990 at FY89 levels, resulting in a 4 percent reduction from current services. The proposed freeze would affect funds for Community Health Clinics ($415 million), Migrant Health Centers ($46 million), Black Lung Clinics ($3 million), and Health Care to the Homeless ($15 million).

SOCIAL SECURITY
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Budget Authority:					
Current Services:	258,140	288,334	315,492	343,018	367,745
Reagan Budget:			315,500	343,018	367,745
Proposed Change:			8 (+.002%)	--	--
Outlays:					
Current Services:	219,341	232,334	246,708	262,241	276,774
Reagan Budget:			246,724	262,254	276,793
Proposed Change:			16 (+.006%)	13 (+.005%)	19 (+.007%)

Social Security pays old age, survivors, and disability insurance (OASDI) benefits to 38.5 million beneficiaries; providing, at the end of 1988, an average of $516 a month to retired worker beneficiaries. Social Security benefits received a 4.1% COLA in January, 1989. The Reagan budget assumes that Social Security beneficiaries will continue to receive full COLAs each year - beginning with a 3.6 percent increase in January 1990. Outlays are expected to increase by $13 billion in 1990, offset by an increase of $26 billion in trust fund revenues, resulting in a continuing growth in the size of the annual trust fund surpluses. By the end of 1989, OASDI trust funds are expected to have $169 billion.

The Reagan budget proposes no major changes for Social Security. Two legislative proposals would result in minor benefit changes. The first proposal -- made as part of a proposal to privatize Railroad Retirement -- is to transfer Railroad Retirement Tier I (social security equivalent) benefits to the Social Security trust funds and modify the benefits to conform to those paid to other Social Security recipients. The transfer would not affect the trust funds because funds are already exchanged between Railroad Retirement and Social Security. The transfer would affect some benefits -- making some categories of rail beneficiaries ineligible for Social Security and providing small benefit increases to others. The second Reagan budget proposal is to expand Social Security eligibility to provide benefits to children adopted after the parent's eligibility.

The budget also proposes to replace the current method of crediting estimated Social Security revenues to the trust funds at the beginning of the month with a daily transfer of actual receipts. The budget assumes a continuing reduction in SSA staff due to computer enhancement of Social Security operations.

SUPPLEMENTAL SECURITY INCOME
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	$12,345	$12,477	$12,148	$13,818	$14,476
Reagan Budget			$12,148	$13,818	$14,476
Proposed Change: (No change)			---	---	---

Nearly 4.5 million needy aged, blind, or disabled persons currently receive SSI benefits. In 1989, the Federal payment standard is $368 for individuals and $553 for couples. The Reagan budget assumes that benefits will be automatically increased in January, 1990 by the same percentage as Social Security benefits - 3.6 percent. The Reagan budget does not propose any changes for the SSI program. The $329 million decrease in FY90 is due largely to two accounting issues: 1) the first FY90 payments will be credited toward FY89 due to the fact that October 1 falls on a Sunday, and 2) nine months of FY90 payments will be made after January 1, 1990 when the COLA is projected to drop to 3.6 percent.

RAILROAD RETIREMENT
(in millions of dollars)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Budget Authority:					
Current Services	4,974	4,844	4,702	4,642	4,550
President's Budget			4,555	4,554	4,462
Proposed Change:			- 147 (-3.0%)	-88 (-2.0%)	-88 (-2.0%)
Outlays:					
Current Services	3,934	4,155	4,186	4,306	4,346
President's Budget:			4,154	4,316	4,339
Proposed Change:			- 32 (-1.0%)	+10 (+0.2%)	- 7 (-0.2%)

Railroad Retirement provides Social Security and rail pension benefits to 890,000 retired and disabled railworkers and their dependents and survivors. The Reagan budget proposes three major changes in the Railroad Retirement program for 1990.

Privatization: The Reagan proposal again calls for "privatizing" the Railroad Retirement system, by transfering Tier I (social security equivalent) benefits to Social Security and the remaining benefits (i.e. Tier II, supplemental pensions, and vested dual benefits) to the rail industry. With Tier I conformed to the Social Security System, some retirees would receive cuts in disability benefits, but others would receive improved spousal benefits. There would be minimal change in the total amount spent on these benefits. The new private-sector pension would be protected under ERISA, and thus, would have to be fully funded. Rail unemployment insurance would be merged with the Federal/State Unemployment Insurance program.

Changes in Vested Dual Benefit financing: Presently, Vested Dual Benefits are entirely funded through annual appropriations from the General Fund. Reagan proposes to have the rail industry pay for 25 percent of the calculated windfall benefit through the Railroad Retirement Trust Fund, and to reduce the general fund subsidy to equal 75 percent of the calculated windfall benefit. Benefit payments would not be affected.

Tier II COLA changes: The Reagan budget calls for eliminating the Tier II COLA for 1990, and changing the Tier II COLA thereafter to conform to other non-social security retirement benefits. Under the proposal, Tier II COLAs will be calculated by multiplying the current law rail pension COLA factor of 32.5% by the reduced Federal civilian retirement COLA (CPI minus 1%).

FEDERAL CIVILIAN RETIREMENT
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Budget Authority:					
Current Services	46,984	48,936	51,214	53,103	54,633
Reagan Budget			51,286	53,082	54,709
Proposed Change:			+72 (+0.1%)	-21 (-0.03%)	+76 (+0.1%)
Outlays:					
Current Services	28,140	29,608	32,241	33,462	35,253
Reagan Budget			29,741	30,363	31,697
Proposed Change:			-2,500 (-7.8%)	-3,199 (-9.0%)	-3,566 (-10.0%)

Federal civilian retirement benefits are paid to 2.2 million retirees and survivors. The Reagan budget proposes a one year freeze in the cost-of-living allowance (COLA) for civil services retirees in 1990. Average 1990 retirement benefits would be cut by $700 for individual civil service retirees. In the years 1991 to 1994, the budget proposes a modified COLA equal to one percent below inflation (CPI). Furthermore, civil service retirees would no longer be able to remove their contributions as a lump sum as of January 1, 1990.

MILITARY RETIREMENT
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Budget Authority:					
Current Services	$33,006	$34,680	$34,892	$37,075	$39,193
Reagan Budget			$34,892	$37,075	$39,193
Proposed Change:			—	—	—
Outlays:					
Current Services	$19,011	$20,088	$21,228	$22,465	$23,629
Reagan Budget			$20,611	$21,511	$22,408
Proposed Change:			- 617 (-3.0%)	- 954 (-4.4%)	-1,221 (-5.0%)

Military retirement benefits are paid to 1.6 million military retirees and survivors. The Reagan budget proposes a substantial reform of cost-of-living-adjustments in military retirement, consistent with proposals for civil service retirees. This includes the elimination of the January 1990 COLA for all military retirees (savings of $617 million), and permanent reduction in the COLA to CPI minus 1 percent for all current and future military retirees beginning in 1991.

VETERANS PENSIONS
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	$3,935	$3,859	$3,953	$4,041	$4,112
Reagan Budget			$3,953	$4,041	$4,112
Proposed Change:		---	---	---	---

Veterans pensions are paid to low-income war-time service-connected veterans above age 65. While the total number of veterans age 65 and over has continued to increase since 1980 and is expected to increase by another 6 percent this year, the number of pension recipients is expected to continue to decline slightly (1.23 million in 1988 to 1.16 in 1990) because veterans over 65 increasingly have higher incomes. A 4.1 percent COLA increase became effective January 1989. The Reagan budget assumes an automatic COLA of 3.6 percent in January 1990.

VETERANS COMPENSATION
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	$11,251	$10,220	$11,198	$11,123	$11,012
Reagan Budget			$11,484	$11,827	$12,097
Proposed Change:			+286 (+2.5%)	+704 (+6.3%)	+1,085 (+ 9.9%)

Veterans with disabilities resulting from military service receive monthly compensation payments scaled to the degree of disability. The payment is made regardless of the veteran's age or income. Survivors of veterans who die from service-connected injuries also receive payments in the form of death and indemnity compensation.

The numbers of veterans and survivors of deceased veterans receiving compensation benefits is expected to decline slightly from 2.5 million in 1989 to 2.1 million in 1990. However, outlays for compensation benefits are estimated to increase from $10.2 billion in 1989 to $11.5 billion in 1990.

Legislation passed last year increased these benefits by 4.1 percent in January 1989. Once again, the Reagan budget recommends that legislation be enacted to provide an automatic COLA instead of the current policy of annually legislating COLAs for veteran's compensation. The budget assumes a 1990 COLA of 3.6 percent.

FY89 Supplemental Request:

The Reagan budget also requests supplemental funding of $701 million to implement the 1989 COLA increase of 4.1 percent for veterans compensation, and to make other legislated changes in veterans pensions, and burial benefits through the 1989 calendar year (which includes the first quarter of FY90).

PRIVATE PENSIONS
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Reagan Budget Tax Expenditures:					
Employer Plans	$59,210	$61,065	$65,410	n/a	n/a
IRAs	$11,725	$11,590	$12,540	n/a	n/a
Keogh Plans	$2,315	$1,670	$1,850	n/a	n/a

Federal taxes are deferred on the contributions and earnings of tax-qualified pension plans. In 1987, there were an estimated 870,350 employer-sponsored pension plans with 76.6 million participants and over $1.6 trillion in assets. In addition, there are individually established tax-deferred IRAs and Keogh plans. Tax expenditures for pensions declined dramatically in 1988 due to legislated IRA and pension changes and the lower tax rates enacted in the 1986 Tax Reform Act. They are expected to remain fairly stable in FY 1990, and no changes are proposed in the Reagan budget for the tax treatment of pensions.

PENSION BENEFIT GUARANTY CORPORATION (PBGC)
(in millions)

	Actual		Estimated		
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	-$278	-$231	-$342	-$346	-$338
Reagan Budget			-$342	-$346	-$338
Proposed Change:			---	---	---

The Pension Benefit Guaranty Corporation (PBGC) provides Federal insurance to protect the pension benefits of workers covered by employer-sponsored defined benefit plans. The program is funded through variable rate premiums charged to single employer plan sponsors and flat rate premiums charged to multi-employer plan sponsors. Premiums to single employers were increased substantially beginning in 1988. The Reagan budget proposes no changes in funding or staffing for the PBGC.

OLDER AMERICANS ACT
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays (total)					
Current Services	1,036	1,086	1,111	1,136	1,159
Reagan Budget	1,036	1,086	1,091	1,093	1,103
Proposed Change:			-20	-43	-56
			(-2.0%)	(-4.0%)	(-5.0%)

FY90 Outlays By Title	FY90 Outlays Reagan Budget	Percent Change from Current Services
Title II:	0.2	--
III Total:	718.0	-2.4%
Centers:	277.0	-2.5%
Cong. Meals:	357.0	-2.5%
Home Meals:	79.0	-2.5%
Frail Elderly:	5.0	--
Title IV Training:	24.0	--
Title V Services/ Employments:	342.0	-0.3%
Title VI: Native Americans:	7.0	--

Older Americans Act programs provide nutrition, transportation, in-home, legal and community-based services to persons 60 years of age and older. The Reagan budget proposes an overall 2 percent cut below current services for FY90 for all Older Americans' Act programs. The budget proposes to maintain AOA administration (Title II) and three programs at current service levels: the newly created Title IIId frail elderly program, Title V Training and Title VI Native American Grants.

COMMUNITY SERVICE BLOCK GRANTS
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	408	391	391	403	415
Reagan Budget			119	9	---
Proposed Change:			-272 (-70%)	-394 (-98%)	-415 (-100%)

Community Services Block Grants (CSBG) provide for health, nutrition, and employment community services for the poor, elderly, and infirm through Federal contributions to the over 900 community action agencies. These Federal payments comprise, on average, 12 percent of their operating budgets.

The Reagan budget again proposes to phase out the CSBG program by the end of FY 1992. In response, local and community government will have to increase their assistance or eliminate services. While the Reagan budget anticipates that the Social Services Block Grant (SSBG) will fund these services, it does not provide new monies for SSBG for these additional responsibilities.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	324	334	343	344	334
Reagan Budget			342	336	336
Proposed Change:			-1 (-0.3%)	-8 (-2.3%)	-8 (-2.3%)

The Senior Community Service Program provides part-time public service employment for low-income older workers through Title V of the Older Americans Act, administered by the Department of Labor. The Reagan budget proposes a reduction in this program beginning in 1990.

SOCIAL SERVICES BLOCK GRANT
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	2,666	2,688	2,694	2,700	2,700
Reagan Budget			2,694	2,700	2,700
Proposed Change: (No Change)			--	--	--

Social Services Block Grants provide States with funds for services to low-income children, families and older persons. The Reagan budget once again proposes to maintain funds at current service levels, and provides no additional funding to pay for increased responsibilities resulting from the proposed phase-out of the Community Services Block Grant Program.

202 ELDER HOUSING PROGRAM
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	322	340	358	458	614
Reagan Budget			143	19	57
Proposed Change:			-215 (-60%)	-439 (-59%)	-557 (-91%)

Section 202 provides funding for the construction of housing units for the elderly and handicapped. In recent years, the number of new units constructed has been cut back from 12,000 a year in 1985 to 10,000 in FY89. The Reagan budget would reduce the number of new section 202 elderly and handicapped housing units by an additional 30 percent to 7,000 new units in FY 1990.

The Reagan budget would also further reduce the share of 202 units going to the elderly. The proposed 50 percent reduction from the 7,921 unit level for elderly units and 26 percent increase from the 2,375 unit level for handicapped units in 1989 would increase the handicapped proportion from the 25 percent share required in the FY89 appropriation to a 40 percent share of new units.

The Reagan budget also proposes to replace Section 202 direct loans with a new credit voucher program. Sponsors would obtain financing from private sources for construction capital.

CONGREGATE HOUSING SERVICES
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	5	5	5	5	5
Reagan Budget	5	5	5	--	--
Proposed change:			--	-5 (-100%)	-5 (-100%)

Under this program, HUD contracts with local public housing and section 202 sponsors to supply meals and other supportive services to residents. The Reagan budget again proposes to eliminate this program by FY91 -- a proposal the Congress has consistently opposed. The Administration contends that the program did not achieve its primary goal: "to prevent premature institutionalization of the elderly;" a conclusion contested in a 1987 House Aging Committee staff report.

LOW-INCOME HOME ENERGY ASSISTANCE
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	1,585	1,373	1,428	1,475	1,518
Reagan Budget			1,125	1,102	1,100
Proposed Change:			-303 (-21%)	-373 (-25%)	-418 (-28%)

LIHEAP gives States block grants to provide cash payments, pay fuel bills, pay public housing operators, or weatherize homes for low-income families. The Reagan budget proposes a 21 percent reduction in funding for LIHEAP in FY90 ($303 million in savings). The budget cites a 30 percent drop in heating expenses incurred by low-income households and the stabilization of energy prices as the reason for the cut. The budget also contends that oil overcharge litigation proceeds to States are available for energy assistance. Yet, these funds have not been sufficient in the past to support even a majority of eligible recipients.

LEGAL SERVICES CORPORATION
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays:					
Current Services	306	298	318	329	338
Reagan Budget			40	---	---
Proposed Change:			-278 (-87%)	-329 (-100%)	-338 (-100%)

Legal services provides free or reduced price legal assistance to low income individuals. The Reagan budget again proposes to phase-out the legal services program by FY91. Reagan has proposed the elimination of LSC in each budget since 1980, except last year's which called for a 50 percent reduction in funding.

ACTION OLDER VOLUNTEER PROGRAMS
(in millions)

	Actual	Estimated			
	FY88	FY89	FY90	FY91	FY92
Outlays					
Current Services	111	115	120	125	130
Reagan budget			115	n/a	n/a
Proposed Change:			- 5	n/a	n/a
			(-4%)	n/a	n/a

Outlays By Program Area	(Reagan Budget FY90) (in millions)
Foster Grandparents	59
Senior Companion	25
Retired Senior Vol.	31

The ACTION agency operates programs to stimulate and support volunteer services provided by older persons and others. The Reagan budget proposes to freeze all Action older volunteer programs at FY89 levels -- a reduction of 4 percent from current services.

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Congress of the United States
JOINT ECONOMIC COMMITTEE
(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)
Washington, DC 20510

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March 7, 1989

The Honorable Jim Sasser
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

We are writing as Chairman and Vice Chairman of the Joint Economic Committee to transmit the Committee's views on the current state of the economy and economic policy. These views reflect the Committee's Annual Report, which will be released soon, as well as the expert testimony of witnesses who appeared before the Committee during its review of the 1989 Economic Report of the President.

During 1988, the economy grew more rapidly than most forecasters had expected. Between the fourth quarter of 1987 and the fourth quarter of 1988, real GNP rose 2.7 percent; nonfarm output, which excludes the effect of last summer's drought, grew 3.3 percent. As a result of this growth during 1988, payroll employment rose by 3.6 million during the year, the unemployment rate fell to a 14-year low of 5.3 percent, and industry ended the year operating at 84.4 percent of capacity. Many of the witnesses who testified before the Joint Economic Committee judge that the U.S. economy is currently producing at or near full capacity.

The continued growth of exports and nonresidential fixed investment in 1988 was an encouraging development, although both exports and investment weakened late in the year. During the early years of the current expansion, the economy was fueled primarily by consumer spending and the rapid rise in the Federal budget deficit. Following the decline in interest rates and the value of the dollar that began in 1985, exports and business investment accelerated to pace the growth of the economy during both 1987 and 1988, while government and consumer spending slowed considerably. The growth in export markets was particularly beneficial to manufacturing industries, and manufacturing employment grew by more than 400,000 jobs in 1988. The slower growth in exports and investments toward the end of the year, however, is a potential sign of concern.

By many criteria, the American economy in 1989 shows evidence of considerable vitality. Forecasters who testified before the Committee expect the economy to continue growing this year, although at a somewhat slower rate than during 1988.

During the Joint Economic Committee's hearings on the 1989 Economic Report of the President, two main concerns were expressed about the outlook for 1989. One is that the economy is currently operating at a level within the zone where economists start to worry about the acceleration of inflation. Some economists argue that wage restraint and continued competition from foreign producers will restrain inflation in the immediate future. There is evidence, however, that the decline of the dollar since 1985 may currently be contributing to price increases by reducing foreign competition, resulting in increases of as much as 20 percent in the last year for many basic materials. The unexpectedly large increases in the Consumer and Producer Price Indexes in January and the acceleration last year in the Employment Cost Index suggest that rising prices may cloud the outlook for 1989.

A second concern is that the growth of net exports and business investment will slow this year in response to the rise in interest rates that began in March 1988. In his testimony to the Joint Economic Committee, Federal Reserve Board Chairman Alan Greenspan testified that a slowing of domestic demand will be required to prevent inflation from accelerating, a goal the Federal Reserve has been trying to achieve by raising interest rates. Among the effects of Federal Reserve policy has been a fourth quarter decline in investment. In addition, the recent decline in the trade deficit halted as foreign investors, attracted by high U.S. interest rates, pushed up the value of the dollar. The Federal Reserve appears willing to put aside U.S. trade gains for a reduction in inflation; most witnesses expect little, if any, additional improvement in our trade deficit this year.

Despite our recent economic performance, the outlook for the economy is clouded by a number of weaknesses and uncertainties. First and foremost is the persistent shortfall of savings relative to investment in the American economy. The U.S. savings rate, among the lowest in the industrial world, worsened during the 1980's. One major factor has been the Federal deficit, which has absorbed \$150 to \$220 billion of domestic savings per year since 1983. But there has also been a persistent decline in private savings throughout the 1980's, despite high real interest rates and the 1981 tax cut. Although witnesses anticipate some increase in U.S. savings as the baby boom generation enters middle age, the evidence suggests that Americans of all ages currently save less than previous generations and that any measurable improvement in the savings rate will take many years to materialize. The most direct way to be sure of increasing current savings by the U.S. economy is therefore to reduce the Federal budget deficit.

The continuing large U.S. trade deficit is a second weakness in the outlook. During the 1980's, households, businesses, and government consumed and invested more than the U.S. economy produced; the excess of spending over production had to be imported; and the money to pay for our trade deficit had to be borrowed from abroad. As a result, foreign claims on the U.S. economy grew to the point where the United States was transformed from a net creditor to a net debtor country. Although the Reagan Administration welcomed foreign investment as an addition to the U.S. capital stock, the evidence suggests that foreign investment replaced rather than added to domestic investment. To service or repay this debt will require future generations of Americans to reduce their living standards and consume less than they produce.

The growing U.S. reliance on foreign capital has made the U.S. economy more vulnerable to financial shocks. A decline in confidence could precipitate a run against the dollar that would raise interest rates in the United States, possibly to a level that would send the economy into a recession. Our dependence on foreign capital may compromise the ability of the Federal Reserve to conduct monetary policy appropriate to the needs of the U.S. economy.

A third area of weakness is the disappointing pace of productivity improvement. Productivity growth averaged more than 3 percent during the early postwar years, but stalled during the 1970's. Some recovery of productivity growth occurred during the 1980's, notably in manufacturing, but, since early 1986, nonfarm productivity has grown at an annual rate of less than 1 percent and witnesses could find no reasons to expect higher increases in the years ahead. Given the importance of productivity growth to standards of living, few would consider the present pace adequate.

A fourth area of concern is the Third World debt crisis which, according to witnesses, is causing economic hardship and turmoil particularly among the Latin American debtors and threatening the stability of the Latin democracies. The current rise in U.S. interest rates may make matters even worse. Witnesses agreed that an alternative to the Baker plan must be developed soon to prevent a collapse of the debtor economies.

Although most of the economists who testified before the Joint Economic Committee expect the U.S. economy to continue growing in the short run, they are concerned that managing stable growth will become more difficult as the year progresses. With unemployment relatively low and capacity utilization high, a number of witnesses expressed anxiety in financial markets and at the Federal Reserve about a potential resumption of inflation. Others fear a more immediate recession; recent increases in short-term interest rates have produced an inversion of the yield curve, a traditional signal of slowdowns or recessions.

As mentioned earlier, the composition of growth toward the end of 1988 also causes concern. The Nation needs growth concentrated in exports and investment -- exports to close the trade gap and investment to lay the foundations for future growth -- and, during 1987, the economy's growth followed this pattern. But as we moved through 1988, while the earlier improvements in net exports and investment tapered off, personal consumption expenditures grew faster than output. This shift in the composition of output suggests the delicate balance in today's economy. If consumer demand strengthens, the trade deficit will worsen and inflationary pressures will increase. If consumer demand falls along with exports and investment, the economy could slide toward recession.

An important step the U.S. Government could take to strengthen the outlook, according to the witnesses who testified before the Committee, would be to reduce the Federal deficit. There is no immediate danger that the deficit will cause an economic catastrophe; instead, according to witnesses, the deficit is gradually eating away at the long-term strength of the economy by absorbing savings and by undermining investment, productivity, and the competitiveness of U.S. industry.

Witnesses expressed a variety of opinions on the appropriate path and timing for deficit reduction, although most endorsed a $100 billion deficit target for Fiscal 1990. There was, however, unanimous agreement that a reduction in the deficit would improve the balance between savings and investment in the United States, and thus reduce U.S. reliance on foreign capital. The trade deficit would fall, although by an amount smaller than the reduction in the budget deficit, since the resulting decline in interest rates would stimulate investment and a rise in imports of capital goods. A reduction in the deficit would also reduce pressure on the Federal Reserve to control inflation by raising interest rates.

Witnesses also expressed a variety of opinions on the appropriate approach to deficit reduction. Most witnesses thought it would be unwise to cut the deficit by reducing government investment in R&D, infrastructure, or education, since these contribute to the productivity of the private sector. There was no consensus on whether taxes should be increased, although most witnesses judged that the deficit could not be reduced sufficiently through spending restraint or economic growth alone.

Economic policy in the 1980's has been directed toward near-term gratification rather than long-term strength. It is now time for a reorientation of our economic policy toward the future. The challenge for budget policy this year is to maintain the growth of the U.S. economy while dampening fears of inflation and restraining the rise of interest rates, and at the same time to establish budget priorities that will contribute to the Nation's future economic strength.

With warm regards,

Sincerely,

Lee H. Hamilton
Chairman

Paul Sarbanes

Paul S. Sarbanes
Vice Chairman

ROLL CALL VOTES IN COMMITTEE

Roll call votes taken during Committee consideration of the Concurrent Resolution on the Budget of Fiscal Year 1990 were as follows:

APRIL 18, 1989

(1) JOHNSTON amendment in the nature of a substitute proposing fiscal year 1990 sequester budgetary levels.

The motion was not agreed to: 4 Yeas 19 Nays

Yeas:
Mr. Hollings
Mr. Johnston
Mr. Exon
Mr. Conrad

Nays:
Mr. Sasser
Mr. Riegle
Mr. Lautenberg
Mr. Simon
Mr. Sanford
Mr. Wirth
Mr. Fowler
Mr. Dodd
Mr. Robb
Mr. Domenici
Mr. Armstrong
Mr. Boschwitz
Mr. Symms
Mr. Grassley
Mr. Kasten
Mr. Nickles
Mr. Rudman
Mr. Gramm
Mr. Bond

APRIL 19, 1989

(2) CONRAD motion that it is the sense of the Budget Committee that the participants in the Bipartisan Budget Agreement

should reconvene to reach another agreement within 10 days that would produce greater deficit reduction.

The motion was not agreed to: 8 Yeas 15 Nays

Yeas:
Mr. Hollings
Mr. Johnston
Mr. Exon
Mr. Conrad
Mr. Robb
Mr. Armstrong
Mr. Boschwitz
Mr. Nickles

Nays:
Mr. Sasser
Mr. Riegle
Mr. Lautenberg
Mr. Simon
Mr. Sanford
Mr. Wirth
Mr. Fowler
Mr. Dodd
Mr. Domenici
Mr. Symms
Mr. Grassley
Mr. Kasten
Mr. Rudman
Mr. Gramm
Mr. Bond

(3) HOLLINGS amendment in the nature of a substitute to freeze outlays at the fiscal year 1989 level (except for cost-of-living adjustments and growth in beneficiaries for social security, medicare, and medicaid), to add $6.9 billion in outlays for program priorities, and to maintain the revenue assumptions of the bipartisan budget agreement.

The amendment was not agreed to: 10 Yeas 13 Nays

Yeas:
Mr. Hollings
Mr. Johnston
Mr. Exon
Mr. Fowler
Mr. Conrad
Mr. Robb
Mr. Armstrong
Mr. Boschwitz
Mr. Symms
Mr. Nickles

Nays:
Mr. Sasser
Mr. Riegle
Mr. Lautenberg
Mr. Simon
Mr. Sanford
Mr. Wirth
Mr. Dodd
Mr. Domenici
Mr. Grassley
Mr. Kasten
Mr. Rudman
Mr. Gramm
Mr. Bond

4. CHAIRMAN'S motion to adopt the Sasser/Domenici mark and for the Committee to report the same to the full Senate with a recommendation that it be adopted.

The motion was agreed to: 16 Yeas 7 Nays

Yeas:
Mr. Sasser
Mr. Riegle
Mr. Exon
Mr. Lautenberg
Mr. Simon
Mr. Sanford
Mr. Wirth
Mr. Fowler
Mr. Dodd
Mr. Domenici
Mr. Symms
Mr. Grassley
Mr. Kasten
Mr. Rudman
Mr. Gramm
Mr. Bond

Nays:
Mr. Hollings
Mr. Johnston
Mr. Conrad
Mr. Robb
Mr. Armstrong
Mr. Boschwitz
Mr. Nickles

ADDITIONAL VIEWS OF SENATOR FRANK R. LAUTENBERG

I am supporting the Committee's budget resolution, but I do so with strong reservations. The resolution is a small first step, a compromise that should avoid a sequester. But it does not achieve significant deficit reduction. Rather, it delays the tough choices, largely by relying on unrealistic economic assumptions and accounting mechanisms. Unfortunately, given the administration's steadfast refusal to face up to the true dimension of the problem, it is probably the best we can do at this point.

I do want to express serious concerns about the funding that is being recommended for Function 400 (transportation). A sound transportation system is essential to the health of our economy and the safety of our citizens. Yet the funding proposed in this resolution is not sufficient to meet the country's real needs.

The administration has asked for significant increases for particular transportation items, such as the Federal Aviation Administration and the Coast Guard. Many of these increases are needed to make our air transportation system safer, to reduce the flow of illegal drugs, and to prevent pollution of our waters. The administration proposes to finance these increases by deep cuts in highways, mass transit and Amtrak—cuts that the Congress has rejected before and which would be contrary to the interests of a balanced, multi-modal national transportation system. Assuming rejection of the administration's proposed cuts in highways, mass transit and Amtrak, the proposed increases would raise Function 400 spending by $1.8 billion over the CBO baseline for fiscal year 1990.

Unfortunately, there is no practical way the President's proposed increases can be accommodated under the budget resolution's funding level for Function 400 without drastic cuts in other important programs. The resolution is proposing a funding level of $31.4 billion in budget authority for transportation programs. That is $400 million over the CBO alternative baseline. Yet the President's proposed increases for Function 400 exceed the CBO baseline by $1.8 billion.

The reality of the numbers is that either the President's proposed increases will be denied—FAA and or the Coast Guard will not get the additional funding requested—or existing programs face a $1.4 billion reduction from CBO baseline levels. A reduction of this size cannot be made without severe consequences to these programs.

The Committee report states that the Function 400 level assumes the maintenance of funding for Amtrak and mass transit at fiscal year 1989 levels. However, that is possible only if one is willing to assume that the Congress will agree to significantly underfund Coast Guard modernization, underfund Federal highway and bridge construction, reduce Federal tranportation safety programs, and reduce spending in such programs as essential air service and local rail service assistance.

The simple fact is that the Function 400 total cannot accommodate all of the Nation's transportation needs, and without additional funding, many of those needs will go unmet.

Frank R. Lautenberg.

ADDITIONAL VIEWS OF SENATOR PAUL SIMON

The budget resolution passed by the Senate Budget Committee is a step in the right direction, but we still have a long way to go.

In light of the pledge by President Bush to raise no new taxes in 1990, the summit negotiators made an arrangement that probably represents the best possible balance between deficit reduction and badly needed new social initiatives. But it still falls far short of addressing many major needs of this Nation, cuts back on some programs that need to be increased, and does not provide proper balance between defense and domestic social needs.

The budget resolution cuts $2.7 billion from the 1990 CBO baseline in medicare. Considering that President Bush's original proposal was to cut medicare by $5 billion, this must be considered a victory. $2.7 billion in cuts nevertheless represents a major reduction in services, especially for hospitals in rural areas and inner cities. These hospitals have borne more than their share of deficit reduction and simply cannot absorb any more cuts. It is important that the Finance Committee take seriously the language in the Budget Committee report recommending that the $2.7 billion in cuts not come disproportionately from part A, which affects hospitals. Any cuts beyond the $700 million specified in extensions of current law provisions are simply unacceptable.

The budget resolution increases spending in Function 500 by $300 million in outlays over the CBO 1990 baseline. Since the entire Department of Education was subject to the so-called "flexible freeze" under the President's original budget proposal, and would therefore have been cut below baseline levels by $1.3 billion, this also is a significant victory for the Democratic leadership of the Congress. The education needs of this Nation, however, cannot possibly be satisfied by $300 million. We are facing an education crisis that is at least as severe as the savings and loan crisis or the clean up of nuclear weapons facilities. In order to meet the real education needs of this country new spending of close to $800 million is needed. The budget resolution is a step in the right direction, but we are a long way from addressing, let alone solving, the problem.

In general, this budget resolution still does not reflect the true needs and priorities of our Nation. Although the division between defense and domestic spending is more balanced than in either the Reagan or Bush budgets, it still does not recognize the realities of the situation facing America and the world. We have spent 8 years building up the military at the expense of our domestic needs. The result is, thankfully, a stronger military and a more peaceful world, and unfortunately, persistent poverty, decaying infrastructure, crumbling inner cities, a crisis of inadequate education and health care, and a virtual epidemic of drug abuse and violent crime. Defense spending is still too high, and programs to address the needs of low and moderate income families are still too low.

Finally, this resolution does not go far enough in reducing the deficit. We cannot take pride in a budget that runs a deficit of $100 billion (which may prove to be an elusive goal itself). We must always remember that the real losers from budget deficits are low and moderate income people. It is they who are hurt by the interest rates that are pushed up when the government borrows to finance the deficit. It is programs that benefit low and moderate income people that are the first to go when we must pay $170 billion a year in interest payments on the national debt. In short, budget deficits take from low and moderate income people and enrich the affluent—they amount to Robin Hood in reverse.

We may have done the best we can, but we should not think for a moment that we have done well enough. We still have a long, long way to go.

PAUL SIMON.

ADDITIONAL VIEWS OF SENATOR ROBERT W. KASTEN, JR.

I voted for the Sasser-Domenici mark to implement the bipartisan budget agreement because I believe it provides a workable framework on which we can build a specific fiscal plan that will both reduce the deficit and spur economic growth.

This budget plan envisions a significant reduction in the annual growth rate of Federal spending. From fiscal year 1989 to fiscal year 1990, total outlays would rise by only 4.5 percent—significantly lower than the 7 to 8 percent average annual growth rate of Federal spending during the 1980's. This spending plan would restrain spending in the largest areas of the Federal budget—defense and entitlements. Defense spending would rise by only $2.5 billion which is less than the inflation rate. The baseline increase in entitlement spending would be reduced by $6.8 billion.

Many of our colleagues have charged that the bipartisan budget agreement contains "phony" savings that will never be realized. Indeed, some of the savings envisioned under this plan are questionable at best. However, real deficit reduction is already written into the law. If the budget plan fails to met the Gramm-Rudman-Hollings deficit target of $100 billion, then the across-the-board sequester of Federal spending will be triggered. It is Congress's responsibility to implement the necessary savings envisioned by this agreement in order to meet the Gramm-Rudman-Hollings requirement. That task would be greatly enhanced by restoring the President's rescission powers so that he could help to enforce the budget's guidelines.

Most important of all, we should work to ensure that the $5.3 billion of so-called "revenue enhancement" is achieved by enacting a pro-growth cut in the capital gains tax. I'm disappointed that the negotiators didn't make a specific reference to this important measure, which I believe will raise revenue at the same time as it is strengthening our economy.

Everyone now agrees that a capital gains tax cut will raise revenue in the first year. The Joint Committee on Taxation estimates a first year pick-up of $3.3 billion as a result of the President's capital gains proposal. Treasury estimates it will raise $4.9 billion. And History tells us that the positive revenue response from the cut will be permanent in the out-years.

Skeptics said about the 1978 capital gains tax cut that it would do little for investment and do much to erode tax revenues. I remember then-Treasury Secretary Michael Blumenthal asserting the proposed capital gains rate reduction from 50 to 28 percent would cost the Treasury over $2 billion revenue.

Well, what happened? Did revenues go down? The fact is, taxes paid on capital gains increased from $9.1 billion in 1978 to $11.7 billion in 1979, and to $12.5 billion in 1980. In 1981, we cut the top rate on capital gains even further to 20 percent, and capital gains tax revenues rose to $12.7 billion in 1981, $12.9 billion in 1982, $18.5 billion in 1983, $21.5 billion in 1984 and $24.5 billion in 1985. Tax revenues to the Treasury were 184 percent higher in 1985 than in 1978.

The revenue windfall from a lower capital gains rate comes from three distinct sources. First, because the tax cost of selling equities will be reduced, lower capital gains rates will lead to greater realizations by stockholders. These greater realizations will lead to permanently higher receipts from the capital gains tax.

As the historical record shows, capital gains taxes paid continued to climb several years after the tax rate cuts of 1978 and 1981. Many econometric studies have quantified this potential realization effect. Harvard professor Lawrence Lindsey estimates that a flat 15 percent capital gains rate would increase capital gains taxes paid by $31 billion over 3 years.

Second, a lower capital gains rate increases the value of stocks. Taxing capital gains at a high rate reduces the potential return on investment—and this future return translates into a lower price for the stock today. Conversely, a lower capital gains rate will increase stock prices, giving to the Government more gains tax.

Third, and most important, a lower capital gains rate will raise GNP. Even the Congressional Budget Office admits that "lower rates on gains could increase savings and capital formation and channel more resources into venture capital." What CBO failed to recognize, however, is that this increased capital formation means that the entire tax base will grow even faster—resulting in an even greater increase in overall revenues to the Federal Government.

Most studies and available statistics on the revenue impact of the 1978 and 1981 tax cuts have focused solely on the realization effect and the subsequent increase in capital gains taxes paid. Even the Treasury Department's recent revenue estimates of the President's capital gains reform proposal ignores positive impact of higher asset values and economic growth on tax revenues. In doing so, they have underestimated the potential revenue gain from a lower capital gains tax rate.

Raising taxes—no matter how small the amount—is a politically difficult task for the simple reason that an overwhelming majority of the American people oppose higher taxes. Moreover, it will open up a "Pandora's Box" of misguided schemes to raise revenue such as the 1982 Act's 10 percent withholding on interest and dividends, and the 1986 Act's Section 89 provisions. These measures cost the economy more than the amount of revenue that they are supposed to raise.

In order to ensure that the $5.3 billion in higher revenue recommended in this budget resolution does not lead to higher taxes on working Americans and their families, I plan to offer several Sense of the Senate Resolutions to the budget resolution on the Senate floor. These resolutions would disapprove in the strongest terms legislative efforts to raise specific taxes—including gas taxes, marginal tax rates, excise taxes and certain base broadeners.

Our deficit reduction efforts must be framed in the context of the entire economy—not just the fiscal balance sheet. The Federal Reserve Board's recent high interest rate policies may have already have baked a recession into the cake. Short-term interest rates have risen 350 basis points over the past 12 months. The yield curve has been either the flat or inverted for the past few months. Important economic indicators including housing starts, retail sales and factory orders have all headed south in recent months.

This budget plan provides an opportunity to either head off a recession—or cause one. Reducing the growth rate of spending and slashing the high tax on capital gains would increase savings, investment and capital formation. A tax increase would throw our economy into a tailspin.

In sum up, if we implement this budget plan with the necessary savings to hold down the growth rate of government spending to no more than 4.5 percent and enact a pro-growth capital gains tax cut to raise the $5.3 billion in higher revenue, we will dramatically improve the prospects for continued economic growth and job creation.

ROBERT W. KASTEN, Jr.

ADDITIONAL VIEWS OF SENATOR CHRISTOPHER S. BOND

To say that I wrestled mightily with my decision to support this agreement would be an understatement. As one who has struggled to balance budgets at the State level, I know the difficulties of setting priorities and making tough choices—but calling choices tough doesn't make them so; and not addressing priorities means the status quo prevails.

Unfortunately, the status quo just isn't good enough.

One of my tests for determining whether I could support this agreement was does it meet what I call the "turn-the-corner" test. In other words is the overall package serious, does it recognize that we can't have everything; does it reorder our priorities?

Unfortunately I don't have the real sense that we have changed course—too many things remain off the table; the ratio of real cuts to accounting gimmicks is too high; and the reliance on 1-year type savings is disturbing—but the bottom line remains. Can we do better given the current climate?

One of the biggest difficulties I had with the entire package was the 10.3-percent increase in budget authority given to the domestic discretionary account.

The obvious question is why is this major increase part of a deficit reduction package?

Perhaps to fund priority programs? But if this is the case, then why weren't they identified? Instead the BA, as initially given to the Committee, was simply allocated across the functions, leaving the real spending decisions to the Appropriations Committee.

However, the final Sasser/Domenici mark did set priorities, and in fact allocated the funds to science, space, research, education, childcare and rural development.

This certainly helped assuage the niggling suspicion that the increase in the domestic discretionary account is being done for the sole purpose of padding the baseline, and thus providing protection for these programs come fiscal year 1991 and fiscal year 1992.

However, being pleased with the priorities doesn't lessen the fact that the BA for the non-defense discretionary accounts received a 10.3-percent increase over fiscal year 1989—and certainly cannot be called deficit reduction.

But that brings us to the key point. After all the hemming and hawing, gnashing of teeth, and protestations about flim-flams and gimmickry—is there a better alternative?

Of course, everyone ever involved in a compromise always believes their own recipe was the best—if only others would have listened goes the refrain. Thus it should come as no surprise that many people are disappointed with various aspects of the plan.

As they say, it can't be a real compromise unless everyone is sullen about it.

Thus, it is terrible important to ask oneself is disappointment with aspects is enough to oppose the entire plan.

This package does continue the trend of holding the growth of spending at or below the inflation rate, while revenues are naturally growing faster because of our continuing economic growth.

The package does honor President Bush's no new taxes pledge—although there's a $5.3 billion number we'll certainly keep an eye on.

And third, commitments to social security and an adequate defense spending level are retained.

I must confess, however, that my making my decision has not been easy—but again, given the parameters of certain programs and options being off the table, it remains unclear to me where a credible alternative lies.

Thus I come to the conclusion that sending the summiteers back to the drawing board, as Senator Conrad wished us to do, would do nothing to bring us a better agreement.

Instead I sincerely hope that this agreement can be used as a stepping stone to a broader, more comprehensive agreement for fiscal year 1991.

I realize that an election year, with the entire House and one-third of us running, does not lend itself to making the tough choices, and I also realize that this agreement heads us down that road—but I am prepared to take the Chairman and Ranking Member at their word, that action will soon be on the fiscal year 1991 negotiations, and that they will build on the successes of this agreement—minimal though they may be.

CHRISTOPHER S. BOND.

MINORITY VIEWS OF SENATOR ERNEST F. HOLLINGS

With the coming of a new Congress and the inauguration of a new President, there were high hopes that we would face up to the budget deficit. Remember that in the first full year under Gramm-Rudman-Hollings, the deficit was reduced from $221.2 billion in fiscal year 1986 to $149.7 billion in fiscal year 1987, and there was no train wreck of the economy. Then came the first White House/Congress bipartisan deal in 1987—call it the "Let's Get Reelected Summit Agreement." That derailed any serious push for deficit reduction, and the result was that the deficit went up in fiscal year 1988 to $155.1 billion. Thus far, fiscal year 1989 is shaping up even worse, with the Office of Management and Budget projecting a deficit of $164 billion and climbing—perhaps to the $180 billion–$190 billion range—a far cry from the $126 billion the 1987 summit took credit for.

Unfortunately, we saw trouble brewing early this year when the administration and congressional leaders formed another summit panel. The facts are that bipartisan dealings on the budget lead to re-election gimmicks and not to leadership, sacrifice, or deficit reduction. The current budget agreement is a farce because it adopts overly optimistic economic assumptions of the administration, thereby magically paring down the fiscal year 1990 deficit to a mere $127 billion. The OMB Director, Mr. Darman, pointed to a projected $80 plus billion increase in revenues in fiscal year 1990 over fiscal year 1989. Mr. Darmon neglected to mention we continue to raid the trust funds. Some $5 billion is accounted for by new catastrophic health insurance premiums. Another $5 billion is accounted for by an increase in the social security payroll tax set for January 1, 1990. And a whopping $13 billion of the growth in receipts between 1989 and 1990 are attributed to the final phase-in of the Tax Reform Act of 1986.

It was clear that deficit reduction was not a goal of this summit agreement. The notion that we can "grow" out of our problem indicated the goal of this summit was to honor a campaign pledge of no new taxes. The summit agreement calls for $14.2 billion in revenues while still preserving President Bush's pledge of "no new taxes." The President wants to lower the capital gains tax. In 1986, the Treasury Department informed the Congress that raising the capital gains tax would bring in additional revenues. In 1989, they informed us that lowering the capital gains tax would bring in additional revenues. Meanwhile, Congress' non-partisan broker, the Congressional Budget Office, projects that lowering the capital gains tax is a big revenue loser, especially in future years.

The budget accord calls for $8.4 billion in savings from offsetting receipts. The majority of these savings come from asset sales. Asset sales are a one-shot fix, and like the capital gains tax, will actually add to the deficit in the out years through loss of interest income. And, they have zero effect on curbing Federal spending; indeed, asset sales are usually a substitute for spending cuts.

Other problems with the agreement concern entitlements and discretionary domestic programs where only $300 million is cut. The current services budget for entitlements is cut by $8.6 billion, i.e., from $37 billion down to slightly over $28 billion. This is made possible by shifting approximately $1 billion in agricultural payments from fiscal year 1990 to fiscal year 1989, by taking off budget the Postal Service and its projected $1.8 billion deficit in 1990, and by other gimmicks.

Obviously, we are not talking here about real budget cutting and savings; we are talking about accounting trickery. Under this agreement, national defense, entitlements, non-defense discretionary and net interest will increase by over $60 billion in fiscal year 1990. True cuts are illusory under the agreement, and we have yet to hear from any of its proponents how much this plan reduces the deficit in the out years. On the contrary, this first step in deficit reduction under the Bush administration will actually make the structural deficit worse in years to come and will miss the Gramm-Rudman-Hollings target in 1990 by some $40 billion to $50 billion.

The Hollings plan, shown at the end of these remarks, basically is a budget freeze proposal that was offered during Committee markup and defeated in a 10–12 vote. It acknowledges the albatross of $182 billion in net interest that must be paid in 1990. The $182 billion is President Reagan's historic legacy to the American people for generations to come. Bear in mind that when Reagan took office, net interest was $52.5 billion (1980). In effect the $182 billion in net interest is a massive new Federal "program" that must be paid and is expanding each year. It is the price we must pay, and pay, and pay, and pay—for 8 years of gross fiscal irresponsibility. This summit agreement might be the first step, but it is a step in the wrong direction. We have avoided our responsibilities for 8 years when it comes to the deficit and national debt. We should stop the nonsense of being kinder and gentler to ourselves for reelection sake and start paying our bills.

HOLLINGS DEFICIT REDUCTION PLAN OUTLAYS—FY 1990

[In billions of dollars]

	CBO baseline	Hollings plan	Savings
DEFICIT	146.2	100.0	−46.2
Defense	303.4	296.7	−6.7
Nondefense discretionary	207.6	191.3	−16.3
Entitlements	583.1	569.1	−13.9
Net interest	182.1	180.1	−2.0
Offsetting receipts	−61.2	−61.2	
Program priorities		+6.9	+6.9
Total outlays	1,215.0	1,183.0	−32.0
Total receipts	1,068.8	1,083.0	+14.2

Notes:

(1) The plan uses CBO estimates.

(2) The $14.2 billion increase in receipts assumes the levels provided by the bipartisan agreement.

(3) Total outlay savings of $32.0 billion in Hollings plan compares to the $10 billion savings in outlays provided by the bipartisan agreement.

(4) The deficit of $100 billion in the Hollings plan would be $80 billion under assumptions of the bipartisan agreement.

ERNEST F. HOLLINGS.

MINORITY VIEWS OF SENATOR J. BENNETT JOHNSTON

I cannot support the budget plan embodied in this resolution because it fails to address the Federal deficit in a real or meaningful way. Instead, this resolution merely postpones the difficult steps we must take to bring the deficit down. Even worse, this budget plan hides the extent and seriousness of the long-term deficit problem this nation is facing. In my judgment, this problem is so severe that the prospects for strong economic growth in the future are threatened.

The most recent information I have shows the CBO baseline deficits and reductions required to meet the revised Gramm-Rudman-Hollings targets to be as follows:

[in billions of dollars]

	1990	1991	1992	1993
CBO baseline deficit	147.3	140	135	129
GRH target	100	64	28	0
Reduction required to meet target	−47.3	−76	−107	−129

These numbers show the extent and depth of the real deficit problem we face. We can and must do more than the minimalist plan this resolution proposes.

UNREALISTIC ECONOMIC ASSUMPTIONS

DEFICIT IMPACT IN 1990: +$9 BILLION

To begin with, this plan is based on unrealistic economic assumptions. No one who has dealt with budgeting even at a superficial level contends that economic forecasting is an exact science; we all recognize that errors are made despite good faith best efforts at accuracy on both sides of the equation. Yet, the fact is that for the last 8 years, the first concurrent resolution has contained budget deficit projections with an average error of $42 billion, according to the Congressional Budget Office. Over half this amount is attributable to optimistic economic assumptions. The effect of these assumptions has been additions to deficit each year, ranging from $1.4 billion in 1981 as much as $76 billion in 1982.

Given this history of inaccurate, low ball projections, it is nonsensical to base a plan on assumptions most of us find at best highly optimistic and that many find preposterous. Surely, common sense requires us to be realistic and to err, if we err, on the side of caution.

The economic assumptions projected by the administration lie at the most optimistic end of various current forecasts which have been made for key components (real growth, inflation and interest rates). As the Congressional Budget Office put it, for his forecast to materialize "several things have to go right and nothing . . . seriously wrong." For example, this resolution assumes that interest rates on 3-month Treasury bills will average 5.5 percent in 1990. Of the 39 Blue Chip forecasts available for 1990, however, more than two thirds predict a rate 1 percentage or more above 5.5 percent and more than half estimate the rate will be 7 percent or more. Moreover, the interest rate has been increasing since the last quarter of 1988, and in mid-April the actual rate was 8.61 percent. In short, while 5.5 percent may be within the range of possibility, it is not likely. Similar analyses can be made of other key indcators this budget plan is based on such as real GNP growth at 3.5 percent (nearly double the rate projected by the Blue Chip consensus forecast), and inflation with the CPI projected to average 3.6 percent (or 1.2 percentage points below the Blue Chip consensus). In contrast, CBO chose mid-range projections for all these indicators.

In the February 1989 analysis CBO produced of President Reagan's fiscal year 1990 budget request, the following table comparing the administration, CBO and Blue Chip Short Run Economic Forecasts appeared:

COMPARISON OF ADMINISTRATION, CBO, AND BLUE CHIP SHORT-RUN ECONOMIC FORECASTS

	Actual 1988	Forecast	
		1989	1990
Fourth Quarter to Fourth Quarter (Percent change)			
Real GNP:			
Administration	2.6	3.5	3.4
CBO	2.6	2.9	2.2
Blue Chip	2.7	2.4	1.8
Nominal GNP:			
Administration	6.8	7.3	7.0
CBO	6.7	6.9	6.6
Blue Chip	6.9	6.8	6.2

COMPARISON OF ADMINISTRATION, CBO, AND BLUE CHIP SHORT-RUN ECONOMIC FORECASTS—Continued

	Actual 1988	Forecast	
		1989	1990
Consumer Price Index [1]:			
Administration	4.2	3.6	3.5
CBO	4.3	5.0	4.8
Blue Chip	4.2	4.7	4.7
Calendar Year Averages (Percent)			
Three-Month Treasury Bill Rate:			
Administration	6.7	7.4	5.5
CBO	6.7	7.9	7.1
Blue Chip	6.7	8.1	7.5
Ten-Year Government Bond Rate:			
Administration	8.9	8.6	7.2
CBO	8.9	9.3	9.0
Blue Chip	8.9	8.9	8.5
Civilian Unemployment Rate:			
Administrator [3]	5.4	5.2	5.1
CBO	5.5	5.5	5.5
Blue Chip [2]	5.5	5.4	5.6

Sources: Congressional Budget Office; Office of Management and Budget; Eggert Economic Enterprises, Inc., Blue Chip Economic Indicators (February 10, 1989).

[1] Consumer Price Index for urban wage earners and clerical workers.

[2] Blue Chip does not project a ten year rate. The values shown here are based on the Blue Chip projection of the AAA bond rate, adjusted by CBO to reflect the estimates spread between AAA bonds and ten-year government notes.

[3] The Administration's projection is for the total labor force, including armed forces residing in the United States, while the CBO and Blue Chip projections are for the civilian labor force excluding armed forces. In recent years, the unemployment rate for the former has tended to be 901 to 002 percentage points below the rate for the civilian labor force alone.

This table sets forth these differences in detail. In each case, CBO is closer to the Blue chip consensus than the administration.

The reason the forecast selected matters is the impact which the forecast has on the deficit. In fiscal year 1990, on the basis of economics alone CBO estimates the deficit will be $9 billion higher than does the administration. This impact continues to grow in future years. For example, CBO estimates that the effect of 1-percentage point higher annual interest rates (beginning January 1989) as the following:

	1989	1990	1991	1992	1993	1994
Outlay change	3	11	16	20	24	29
Deficit impact	3	11	16	20	24	29

Similarly, the effect of a 1-percentage point lower annual real growth rate has dramatic effects on deficit projections. CBO estimates that the effect of such a change beginning January 1989 would be as follows:

	1989	1990	1991	1992	1993	1994
Revenue change	−6	−20	−39	−59	−79	−102
Outlay change	1	4	8	14	22	32
Deficit impact	7	24	48	73	101	134

And with respect to the Consumer Price Index, CBO estimates that the effect of one percentage point higher annual rates beginning in January 1989 would be as follows:

	1989	1990	1991	1992	1993	1994
Revenue change	5	17	31	45	63	81
Outlay change	4	16	29	43	58	74
Deficit impact	−2	−1	−2	−1	−5	8

Were the administration's economics to be adopted in future years as well, this $9 billion fiscal year 1990 impact would grow by exponential factors. For example, CBO's economic reestimate of the President's budget added $9 billion to the deficit in fiscal year 1990, but because of differing economic projects in future years, $33 billion would be added to the deficit projected for 1991, $55 billion would be added to the deficit in 1992 and $78 billion would be added to the deficit projected for fiscal year 1993, the year the budget is required to be balanced under the revised Gramm-Rudman-Hollings deficit targets. Over the 1990–93 projection period, deficits would increase by $175 billion.

Some proponents of this plan argue that the Congress is "compelled" to use these assumptions. Presumably, these proponents believe a budget plan's sole and single purpose is to avoid a sequester. Since OMB economics are required to be used in the determination of whether or not a sequester is necessary, then congress might as well accede to OMB forecasting now, no matter how unrealistic that forecast is.

I reject this argument, because I reject the theory that the only purpose of a budget plan is to avoid a sequester. Instead, I believe that a budget plan is put forth to accomplish long range purposes, to set fiscal policies and priorities for our nation in this year and in future years. After all, the decisions we make in budget plans have a long-term effect. If we fail to bring the deficit down by relying on faulty economic assumptions which fail to materialize in the future, then the expected real increases in national savings which are necessary for capital accumulation and economic growth will fail to materialize, too. Such failure will impact Americans well beyond fiscal year 1990.

Moreover, as we attempt to establish priorities for our great nation, we should do so in a responsible fashion and on the basis of the best information available to us. We have a duty to lay out for the American people the facts of our economic situation so that they can help us determine where choices should be made. But if the size of the deficit is masked by unrealistic economic assumptions, the American people cannot help us make informed choices on these priorities. Past experience shows that when faulty economic assumptions fail to materialize, we—the representatives of the people—lose credibility and our ability to help forge a consensus on policy is eroded.

Technical Estimating Difference

FY 1990 DEFICIT IMPACT: +$10.9 BILLION

This plan also uses the administration's technical estimates for outlays and revenues, which have a net effect of reducing the projected fiscal year 1990 deficit by $10.9 billion. The bulk of the difference in these estimates lies in projected FSLIC outlays. CBO as I understand it included in the baseline about $10.4 billion in anticipated FSLIC outlays which the administration seems to have included less than $3 billion, reflecting the administration's proposal to put most of the savings and loans bailout off budget. While legislation is moving to resolve this matter, it seems to me that for consistency's sake the baseline should reflect current law, not proposed changes. The use of the administration's numbers at this point—well before the debate is over and a law is enacted—only hides the extent of the problem we now face.

Accounting Gimmicks

FY 1990 DEFICIT IMPACT: +$306 BILLION

Of the spending reductions proposed by this plan, I count $3.6 billion as little more than accounting gimmicks. These gimmicks include:

Gimmick	Proposed saving
Advance Farm Deficiency Payments	—$900 million
(Shift portion from 1990 to 1989)	
Put Farm Credit off budget	—$400 million
(Repeal Pryor/Bumpers amendments)	
Put Postal Service off budget	—$1.8 million
Cancel unredeemed food stamps issued in prior years (and presumed lost or damaged)	—$500 million

In the first three gimmicks, no one contends that these funds will not be spent. Instead, the cost is either shifted to a different year or not counted all all. Moreover, this trend of shifting costs off budget is, as then Treasury Secretary James Baker testified before the Budget Committee law year, "not useful in presenting an accurate picture of the government's true liabilities or contingent liabilities. Quite often, they [shifting costs off budget] are used to hide governmental subsidies under a private sector label."

The fourth gimmick is the ultimate smoke and mirrors: perversely, spending which will not occur is cancelled and then is counted as a saving. The credibility of all partners to this creative saving surely should and will be called into question.

ONE TIME SAVINGS WHICH ARE QUESTIONABLE OR HAVE FUTURE COSTS

FY 1990 DEFICIT IMPACT: $6.7 BILLION

When the overriding concern becomes developing a budget plan simply to avoid a sequester, and not to establish sound long term fiscal policy and national priorities, a number of quick measures become appealing which will either fail to materialize in whole or in part, or which will have future costs not counted in the current year. Several of these, totaling $6.7 billion in projected deficit reductions in the proposed fiscal year 1990 budget plan, are listed below:

VA loan sales	−$500 million
Other (new) asset sales	−$5.7 million
IRS compliance	−$500 million

The asset sales may well materialize, but I am compelled to point out that we have precious little information to judge whether or not new sales and loans prepayments totaling $5.7 billion in proceeds can be made. Former President Reagan proposed what I thought was an ambitious program of loan asset sales, loan prepayments and real assets sales. According to CBO, this program would yield proceeds of $4.4 billion providing that the more controversial real asset sales (which account for one-fourth of the projected proceeds) such as the sale of the naval petroleum reserves, and of various regional power administrations in fact go through. An additional $1.3 billion may be possible, but no details were presented on the components of such a package so that it could be analyzed or the projected yield assessed. This is important because something less than the fact value of loans are received in the sales of these portfolios. I should also point out the CBO only "scored" proceeds for those sales in the Reagan budget for which specific details were provided, and declined to include any "credit" for future, unspecified proposals.

There will also be future costs for these assumptions: interest on those loans which the Federal Government does sell, for example, will not be received in future years. In addition, many of the loan assets proposed for sale were financed by agency borrowing from the Federal Financing Bank, or FFB. In most instances, the proceeds of the loan sales will be less than the amounts these agencies borrowed from the FFB to finance these loans. That is, the yield from the loan sales is not expected to cover the amount of the principal borrowed. Absent an appropriation to cover this difference, the FFB will lose in the transaction. Just to cover the lesser amount proposed by former President Reagan, the fiscal year 1990 budget requested an appropriation of $700 million.

Moreover, it remains to be seen whether the so-called "IRS compliance" initiative will in fact raise any additional revenue, much less revenues in the amount assumed.

ENTITLEMENTS

FY 1990 DEFICIT IMPACT: $4.5 BILLION

There are a number of savings proposed in various entitlement or mandatory programs which, when accounting gimmicks and one time asset sales are netted out, total about $4.5 billion (not $6.8 billion) in deficit reduction measures. About half of this amount can be achieved by extending certain savings provisions of the 1987 Reconciliation Act due to expire this year.

For example, CBO estimates that $600 million of the proposed $1.1 billion in "Federal Pension and Postal Reform" savings can be achieved by extending the current "60/40 lump sum retirement" cap enacted in 1987 for one additional year. And OMB estimates that extending certain caps on medicare (such as the 85 percent capital costs reimbursement rate, the clinical laboratories provision and retaining the premium floor for beneficiaries at 25 percent for an additional year would save $2 billion (while CBO estimates the saving for these provisions at about $1.3 billion). I should point out that under this agreement it is unclear whose scoring—OMB's or CBO's—will be used for mandatory spending; this is to be worked out in accordance with certain unspecified "scorekeeping guidelines for the bipartisan agreement" as I understand it. So, as I count it between $1.8 billion and $2.6 billion of the so-called mandatory deficit reduction measures, depending on whose scorekeeping conventions prevail, can be achieved by extending current law. Over half of the mandatory savings—when accounting gimmicks and asset sales are netted out—can be achieved without any major and permanent program restructuring. To put it another way, only $1.9 billion to $2.7 billion in major restructuring is required to be undertaken on mandatory spending under this plan.

In other words, of the $6.8 billion in deficit reductions characterized as "Entitlements/Mandatory"—

> $2.3 billion are phony accounting gimmicks and one time asset sales ($500 million in food stamps savings; $900 million in farm deficiency payments shifted to fiscal year 1989; $400 million achieved by taking the costs of the farm credit program off budget; and $500 million by selling VA loans);

$1.8 billion to $2.6 billion can be achieved merely by extending current law provisions for one additional year ($600 million by extending current lump sum retirement cap and $1.3 to $2.1 billion by extending 1987 medicare reforms for one additional year);

only $1.9 to $2.7 billion (30 to 40 percent) are "real" entitlements savings, or savings which require programmatic changes in permanent laws.

Even these programmatic changes must only be made for 1 year under this plan since the enforcement extends for 1 year only, or just through fiscal year 1990. Out-year deficits need not be affected at all.

REVENUES

FY 1990 DEFICIT IMPACT: $−9.0 BILLION

FUTURE IMPACT: UNCERTAIN (+ OR −)

Two sorts of revenues, hard or "R-1" revenues amounting to $5.3 billion in fiscal year 1990, and user fees or "R-2" revenues amounting to $2.7 billion in fiscal year 1990 are claimed by this plan as deficit reduction measures. For both, instructions are only included for 1 year, so whether these measures will result in permanent changes, or merely 1-year, one-time shots, remains to be seen.

This question is particularly serious for the so-called R-1, or hard, revenues. Without "out-year" enforcement, nothing in the resolution prevents the passage of measures like the capital gains tax reduction which CBO and the Joint Tax Committee believe would increase revenues in the first year, but result in revenue losses in future years. As a result of this plan, we could in fact end up with a long term revenue loser, not a revenue gainer, and we would give this to the American people in the name of deficit reduction.

Discretionary Spending—FY 1990 Impact

Compared to Baseline—	
BA	−0.2
O	−4.5
Compared to FY 1989—	
BA	+21.4
O	+13.6

For this category, the bipartisan agreement embodied in this plan assures that CBO estimates will be used for scorekeeping purposes. The numbers I intend to use in this brief analysis thus only reflect CBO estimates.

First, I should point out that the overall numbers reflect basically a "wash" from the baseline in budget authority in fiscal year 1990. According to the information I have received from the Budget Committee, the budget authority caps, as estimated by CBO, for the three categories are as follows:

[In billions of dollars]

Budget authority by category	CBO baseline	Budget agreement	Change
Defense (050)	309.2	305.5	−3.7
International (150)	19.1	19.0	−0.1
Domestic	153.9	157.5	+3.6

The baseline, in general, includes an adjustment of about 4 percent above the amounts appropriated for discretionary programs in fiscal year 1989 for inflation, so spending overall for discretionary programs under this plan will increase by about 4 percent.

Budget authority is the item to watch in appropriated accounts, for it is budget authority which we appropriate each year and it is budget authority which drives outlays in future years. For example, CBO estimates baseline outlays for the 050, or defense, function in fiscal year 1990 will be $303.4 billion. Of these, $114.6 billion—or about 38 percent—are "prior year", or result from budget authority appropriated before fiscal year 1990. The range of course varies between accounts, but overall I calculate that about 23 percent, or almost one quarter, of all outlays estimated to occur under the baseline occur because of budget authority appropriated in a prior year. To illustrate this point, I've compiled the following table from information derived from CBO's "Illustrative 1990 Sequester":

[In billions of dollars]

	Total outlay	Prior outlay	New outlay	Percent prior of all baseline outlay
050	303.4	114.7	188.7	38
150	16.7	14.3	2.4	86
250	13.6	5.5	8.1	40
270	4.1	3.6	0.5	88
300	18.1	8.7	9.4	48
350	17.0	1.1	15.9	6
370	19.5	3.8	15.7	19
400	29.4	18.4	11.0	63
450	6.9	5.2	1.7	75
500	38.5	21.7	16.8	56
550	55.8	5.9	49.9	11
570	100.8	0.1	100.7	1
600	146.1	16.6	129.5	11
700	30.5	4.2	26.3	14
750	10.0	2.1	7.9	21

[In billions of dollars]

	Total outlay	Prior outlay	New outlay	Percent prior of all baseline outlay
800	10.2	1.8	8.4	18
900	198.6	0.01	198.6	(1)
950	31.5	0.0	31.5	0
Total (On-budget)	993.0	227.5	765.4	23

[1] Less than 1 percent.

It is true that outlays for defense decline from the baseline by $4.2 billion, and that growth in defense outlays over fiscal year 1989 is limited to 2 percent, or about $2.5 billion. However, I should point out that, despite the budget authority cap which provides for a $6.7 billion budget authority increases over fiscal year 1989, there may be less than 2 percent nominal BA growth because of a mismatch in the historical budget authority and outlay ratio carried forth in this plan which makes it highly unlikely that the full $6.7 billion budget authority increase can be accomplished with this outlay ceiling. While this extra restraint in defense spending may bode well for deficit reduction, personally I do not believe this is the wisest course we can choose for national security programs at this time in light of the past 4 years of real decline for the defense budget.

Budget authority for international discretionary programs, according to CBO, is barely nicked ($−100 million out of a total baseline BA of $19.1 billion) and outlays are not touched at all. International programs under this plan, then, receive the full inflationary adjustment.

Budget authority for domestic discretionary programs under the plan goes up $3.6 billion above the baseline, or $3.6 billion above inflation, while outlays go below the baseline by $300 million or less than one-tenth of a percent and in general keep pace with inflation. Compared to fiscal year 1989, domestic discretionary BA will increase by $14.7 billion and outlays will increase by $11.1 billion.

While I concur with the plan's proponents that if any part of the budget has taken more than its fair share of cuts in the past 9 years it is domestic discretionary, I am more concerned about the risks that the flawed assumptions and faulty savings will have on these programs in the future.

As I understand this agreement, under this plan on its face we have roughly $10.6 billion in "wiggle room" to avoid a sequester. But under the Gramm-Rudman-Hollings rules, even OMB cannot count "new" assets sales as savings for the purpose of the sequestration report, so when the $5.7 billion in new asset sales are netted out, I count only about $5 billion in real wiggle room. If interest rates were to continue increasing, for example, and stay at or above the current 8.6 percent rate, OMB might be forced to adjust its forecast up by one percentage point, to 6.5 percent which would still be a half percentage point below the CBO interest rate projection. According to the CBO analysis I set forth above, this would add $11 billion to the fiscal year 1990 deficit, and this would be enough to trigger a sequester. Since the Gramm-Rudman-Hollings rules require the sequester to bring us down to the target, even a mini-sequester of this size would just about wipe out the real increase budgeted for domestic discretionary programs under this plan. But if the economy were to slow down as a result of increased interest rates, and OMB were also forced to change its growth projection by a half percentage point, a sequester close to $20 billion would be required to reach the target. This would not only wipe out the modest increase above inflation for domestic programs, but would result in significant and real reductions, probably taking us close to if not below the level of budget authority appropriated for them in fiscal year 1989. It would certainly reduce budget authority for defense below the level appropriated in fiscal year 1989.

SUMMARY OF PLAN PROPOSED BY THIS RESOLUTION

As I review this reduction plan, of the $47.3 billion in reduction measures required to meet the Gramm-Rudman-Hollings fiscal year 1990 deficit target of $100 billion—

42 percent is composed of economic and technical estimating differences based on flawed economic projections and in part by taking FSLIC off-budget;

7.6 percent of the deficit savings are composed of accounting gimmicks—shifting pay dates, phony savings, and taking certain expenditures off budget; and

13 percent of the package is from one-time savings, some of which may have significant future costs.

Over 60 percent of the savings package on its face will not result in significant savings in the long run, and some 42 percent may in fact add to the deficit rather than reduce it.

And of the remaining 38 percent—

$8 billion is from revenues which are only enforceable for 1 year, and of these $5.3 billion may in fact provide a way for proposals which gain in the first year, but lose in future years, to be enacted;

$4.5 billion is savings in mandatory spending programs which are enforceable for only 1 year, and of these between $1.9 and $2.6 billion can be achieved by extending current savings provisions rather than enacting any permanent programmatic changes; and

> $4.5 billion is "saved" by holding defense outlays to a 2 percent increase while letting domestic and international grow at the rate of inflation. In budget authority, the discretionary caps amount to a wash, although some savings may be achieved in defense budget authority—and future defense outlays—because of a mismatch in the historical budget authority and outlay ration.

So of the $17 billion in this part of the package, over a quarter is slightly restrained this year, but because of budget authority increases in domestic programs which just about balance decreases in defense, future outlays may well grow at about the baseline level overall, for a result in future years of no savings at all.

I conclude that this plan not only fails to attack deficits aggressively or continuously, but in fact will end up making our problem much worse next year.

If CBO's economic and technical estimates are correct, and if the savings I believe will not be achieved in fact are not, we will have a fiscal 1990 deficit close to $140 billion. To reach the fiscal year 1991 target we will have to develop outlay reduction measures of over $75 billion next year. This may be possible to develop on paper, but a reduction of this size would not be good policy and it certainly would not be politically palatable in an election year.

Sequestration Shock Alternative

In my view, we must do more this year to reduce the deficit, and to avoid a problem double the size of that which will occur under the current Gramm-Rudman-Hollings target for fiscal year 1991 if we stay on the track we are now on. For this reason, I proposed a "shock" plan during committee deliberations: impose a CBO-based sequester totaling close to $45 billion in outlays and $80 billion in budget authority now. A sequester of this size would be truly draconian and the cuts which would be imposed by operation of the Gramm-Rudman-Hollings rules would be serious and clearly unacceptable. The purpose of this proposal was not to put these cuts into effect, but to reverse the dangerous course we are on, get all parties back to the bargaining table, and develop a real, an honest, an aggressive, and a meaningful multi-year deficit reduction package.

Frankly, I do not know any other way to focus the budget debate on substance, not procedure, than to put forth the shock of an honest and real sequester this year, when the problem is about half the size of what it will be next year.

In 1985 and again in 1987, I argued that the procedural "fix" of sequestration would not result in deficit reduction, first because it comes too late in the process for meaningful and multi-year changes to be put in place and second, because it gives us an excuse to avoid hard decisions and develop the political will early on in the year to do the hard things we must do to make permanent reductions in the deficit. I argued that the sequestration ax would force us to focus on the deficit 1 year at a time, without regard to future consequences, and would inevitably lead both the Congress and the executive branch to creative ways of hiding the deficit and postponing tough decisions. My arguments obviously did not carry the day and a majority of my colleagues remain convinced that the sequestration process will result in meaningful reductions.

What I proposed in committee was to use the sequestration device constructively by changing the timing of it. By letting the sequestration ax fall earlier in the budget debate when 5 months, not 3 or 4 weeks, remain for developing a comprehensive compromise, I hoped to refocus debate on the substance of permanent, multi-year deficit reduction. Surely when faced with the stark reality of a $45 billion sequester affecting all programs and priorities, the Congress and the executive branch could develop a workable and acceptable alternative. And I believe that if the seriousness of our Nation's budget situation were honestly, starkly and frankly laid before the American people, the people would support us in the hard and difficult choices we would be forced to make.

I am convinced that deficits do matter and that our first priority must be to face squarely the policy developed throughout the 1980's of consistently spending more money than we take in. Ours is a nation deeply in debt and in debt to foreign creditors. Others have written far more eloquently than I could about the dangerous consequences of continuing this trend. While I am not ready to state unequivocally that Armageddon is here, I do believe that we have this year, in the first year of a new Presidency and in a non-election year, an opportunity which we will not have for at least 4 more years to start our efforts anew and begin to reverse this trend.

The plan embodies in this resolution not only fails to seize this opportunity, it fails to recognize that the opportunity is here. The heart of this plan, it seems to me, is to slide through this year with a series of clever and admittedly creative gimmicks and hope that next year the opportunity will still be here. I hope it will, but I am not willing to take that risk. The consequences of losing are too serious if I guess wrong.

I urge all my colleagues to take a very hard and close look at this plan, at the economic estimates underlying it, at the substance of the reduction proposals and weigh very carefully the implications of political expediency this year versus the economic reality which will inevitably come next year.

I cannot support this plan because it falls short by any measure. But most important, it lacks credibility and that, in the end, will only erode our future ability to develop the political will and consensus necessary to come to grips with the serious deficits we face for as far as they eye can see.

J. BENNETT JOHNSTON.

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